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U.S. Department of the Interior • Bureau of Land Management

Working Together for Healthy Lands and Thriving Communities

2004 Annual Report

BLM

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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PREFACE

The Bureau of Land Management (BLM) is a small agency with a big mission and a lot of ground to cover. We administer more Federal lands than any other agency: almost 262 million acres of public lands and their myriad resources, plus a total of 700 million acres of subsurface mineral estate.

Our workforce is spread across the country in numerous state offices and field offices. Most of the public lands and resources we manage are in the western states and Alaska. Our Eastern States office in Virginia manages land and natural resources in 31 states east of and bordering the Mississippi River. We also have national centers for business, science and technology, human resource management, and information resource management in Denver; fire management in Boise; and training in Phoenix. Our headquarters is located in Washington, D.C.

In managing the Nation's vast public land holdings for multiple uses, we perform many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name just a few.

Public lands administered by the Bureau include millions of acres of open rangelands; geological formations containing the oil, gas, and coal resources needed to sustain our economic well-being; recreation areas and remote landscapes with spectacular scenery and opportunities for solitude; over 116,000 miles of fishable streams; high forested slopes; alpine tundra; majestic canyons; and rugged badlands.

We invite you to read our 2004 Annual Report and see what we have accomplished. Take a moment to reflect on the wealth of resources and opportunities offered by America's public lands . . . and this year, think about planning a visit to *your* public lands!

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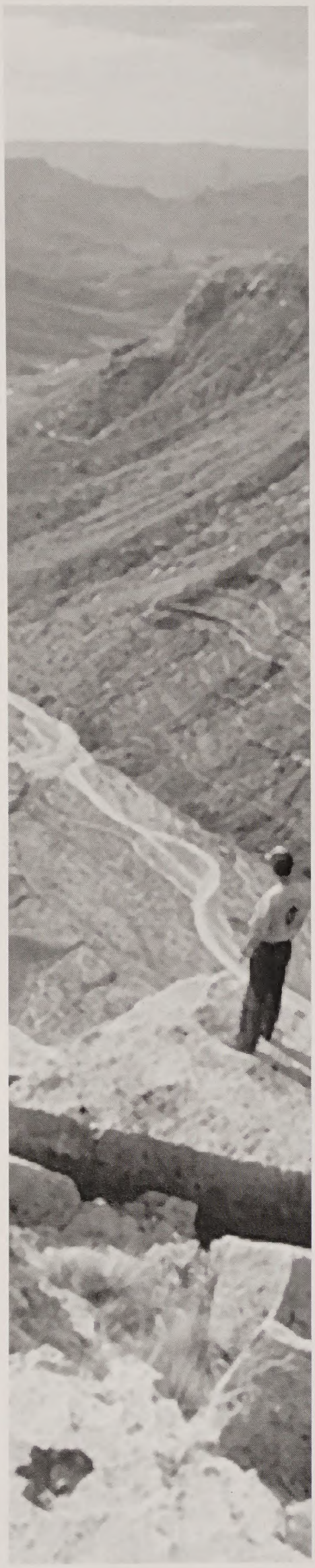


OUR VISION

To enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources.

OUR MISSION

To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

OUR VALUES

To serve with honesty, integrity, accountability, respect, courage, and commitment to make a difference.

OUR PRIORITIES

To improve the health and productivity of the land to support the BLM multiple-use mission.

To cultivate community-based conservation, citizen-centered stewardship, and partnership through consultation, cooperation, and communication.

To respect, value, and support our employees, giving them resources and opportunities to succeed.

To pursue excellence in business practices, improve accountability to our stakeholders, and deliver better service to our customers.

DIRECTOR'S LETTER

Kathleen Clarke
Director,
Bureau of Land
Management

The Bureau of Land Management has a short but extraordinary history. Created just 58 years ago, this Department of the Interior agency manages almost 262 million acres of public lands, located primarily in the Western States, containing a remarkable array of natural resources. These include world class energy reserves, such as natural gas and other traditional energy sources, along with renewable energy resources (such as wind, biomass, and geothermal energy), all of which help support Americans' quality of life. They also include unparalleled recreation opportunities and landscapes of spectacular natural beauty.

The BLM manages these lands under a multiple-use principle, balancing different demands on the land to protect the environment and conserve the public lands and their resources for the use of present and future generations.

Communities throughout the rural West rely on the BLM-managed public lands to support their economies through livestock grazing, timber harvesting, and mineral production. While managing these lands for traditional uses, we also protect the quality of air and water, the health of natural ecosystems, the habitats of plant and animal life, and cultural and heritage resources that are part of America's public lands legacy. Additionally, BLM lands offer some of the best kept recreation secrets in America, providing more opportunities over a broader geographic area than any other land management agency.

Providing balanced stewardship of our natural resources is more challenging now than ever before. Over the past century, the population of the West has grown from fewer than 5 million people to over 60 million. Today, 22 million people live within 25 miles of public lands, and our population will double in another 34 years. As more people look to the public lands for more diverse activities, the risk of conflict increases.

Presented with these challenges, the BLM is searching for creative new ways to carry out our mission. Although we are improving our administrative efficiency and on-the-ground management of our resources, we know we must also look beyond our agency for solutions.

Today we rely on broader public participation for effective public lands management—something we call Shared Community Stewardship. Shared Community Stewardship embraces many of our partners and stakeholders. It is ranchers, energy companies, and college students coming together to conserve sage grouse habitat. It is the more than 17,000 dedicated volunteers who give their time each year to support the agency. And Shared Community Stewardship is the broad alliance of government agencies, tribes, local communities, private companies, and organizations across America who form the hundreds of partnerships on which the BLM depends.

Our partners have contributed greatly to our successful achievements of the past fiscal year. We are indebted to them for their work. We invite you to read this report and take pride in your country and your own efforts to conserve America's public lands and natural resources.

Kathleen Clarke

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Lawrence E. Benna
Chief Financial Officer

The BLM's mission is complex and challenging—to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations. We serve this mission with a strong sense of dedication, professionalism, and partnership, working together with individual citizens, communities, interest groups, and business and industry for healthy lands and thriving communities. Secretary of the Interior Gale Norton's principle of the Four Cs: consultation, cooperation, and communication, all in the service of conservation, provides the foundation for our efforts.

The BLM has continued to face significant challenges and opportunities during the past year that are critical to the productivity and well-being of not only local communities and BLM "neighbors," but also the Nation as a whole. These challenges include promoting responsible development of our Nation's energy resources to reduce our reliance on foreign sources; providing for the exploration and development of new or renewable sources of energy, including wind, solar, geothermal, and biomass; reducing fuel buildups in our Nation's forests and rangelands that increase the risk of wildfires; providing recreation opportunities and places of solitude for an exploding western population; improving wildlife habitat; and working toward the recovery of threatened and endangered species. While these and other challenges have been daunting, our successes have been many.

These successes can be attributed not only to effective natural resource stewardship, but also to an efficient union of our natural resource program responsibilities with our business and administrative functions. We continually strive to provide the business tools and capabilities needed to deliver our natural resource and public land management mission in the most efficient manner. The BLM has in place a state-of-the-art management information system that provides all employees and managers with current information on spending, performance, and the cost of doing business. The BLM uses this system to increase efficiency and improve performance.

As part of our continual search for new and better ways of conducting business and delivering services, we have expanded E-Government initiatives to improve service and accessibility to our customers. For example, we are making available to the public our most-used forms on the Internet through an E-Forms initiative. We are also planning a release of a system that will allow the public to review and comment on environmental impact statements and other land use planning documents via the Internet. We will continue to develop these and other E-Government efforts, providing more electronic services to the public in other business areas.

BLM employees are among our most critical and significant assets. To continue to be effective, we must ensure that we have a highly trained, motivated workforce that can rise to the challenges the BLM faces today, as well as those that lie ahead. In 2003, the BLM completed a comprehensive workforce plan with significant input from our state and field organizations. This plan addresses human resource issues, including developing worker competency and appropriate skill levels, expanding work capability, retaining vital knowledge in the face of an aging workforce, and improving business practices to enhance efficiency and effectiveness.

We are constantly exploring new ways to improve the way we conduct business. This includes taking advantage of new technologies; establishing and maintaining partnerships with other Federal, state, and local government agencies as well as industry and nonprofit groups; continuing to expand our broad base of volunteers; and using the expertise and resources of the private sector.

We are also continuing to explore greater opportunities for cost sharing and cost recovery to leverage our resources and ensure that users pay an equitable cost for the services we provide. The BLM has expanded its highly successful Challenge Cost Share program and implemented the Secretary's Cooperative Conservation Initiative. This Secretarial priority provides for matching contributions from conservation groups, state and local governments, industry and others to complete critical on-the-ground conservation projects.

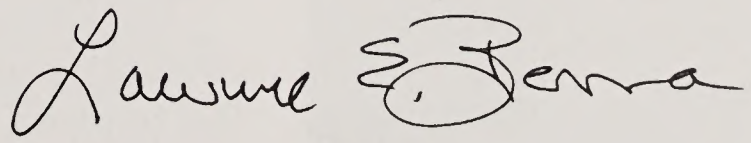
I am pleased to report that the BLM is in a strong and sound financial position as the 2004 fiscal year ends and we move forward to face the opportunities of the coming fiscal year. For the tenth consecutive year, the BLM has obtained an unqualified ("clean") audit opinion on its financial statements for 2004.

We are taking the first steps to implement a new system—the Financial and Business Management System—that will significantly change how we do business, while continuing to improve existing systems to enhance productivity, increase efficiencies, and provide timely information for sound business decisions and interaction with our customers. Specifically, in 2004 the BLM improved the internal controls within the Collections and Billings System (CBS) for approving refunds and added cancelled check and refund check number interfaces from Treasury to the system. We also fully implemented a project cost accounting module within the Management Information System (MIS), saving hundreds of hours in accounting staff time.

The BLM completed several Department of the Interior consolidated acquisitions that resulted in significant cost savings and streamlined purchasing procedures. These acquisitions included Departmentwide acquisitions for personal computers, laptop computers, servers, and hazardous fuels reduction.

In summary, the BLM remains in an excellent position to implement the President's Management Agenda, which will, in turn, allow the BLM to ensure the health and productivity of the public lands in the most effective manner possible. The BLM has proven to be a leader in government in integrating performance and budget by developing a sophisticated cost management system that is helping to improve performance and on-the-ground program delivery. We are ensuring that products and services are delivered to the public in the most cost-efficient manner by aggressively and fairly applying competitive sourcing procedures to commercially competitive program functions. We are making our services more available to our customers and the public electronically through E-Government initiatives. Our workforce plan has been completed and is being implemented. And we are providing accurate and timely financial information.

Under the determined leadership of our organization, and through the dedicated service of our employees, the Bureau of Land Management is meeting the challenge President George W. Bush set forth for all agencies of the United States Government: " . . . ensuring that the resources entrusted to the federal government are well managed and wisely used."



A NEW WAY OF DOING BUSINESS

The Department of the Interior (Department) and all of its bureaus, including the BLM, are embarking on a significant change in the business processes used to handle accounting and other business functions. A new system, the Financial and Business Management System (FBMS), is being developed to replace systems that have become increasingly expensive, complicated, and difficult to operate and maintain over the years.

The FBMS will provide the Department with standard business practices supported by a single, integrated finance and administrative system for all bureaus. The system features an integrated suite of software applications that will help the Department to manage a variety of business functions, including Budget Formulation; Budget Execution; Core Financials; Personal, Real, and Fleet Property; Acquisition; Travel; Financial Assistance; and Enterprise Management Information. The overall goal is to provide managers and employees at the BLM and other Interior bureaus with accurate, up-to-date business information that supports sound decision making at all levels.

Virtually all employees, not just accountants and contracting specialists, will have their lives touched by the FBMS. Employees traveling on official business will use E-travel rather than booking tickets and reservations through a travel agency. Supervisors will approve their employees' charge card statements electronically. Employee ID/Smart Cards will interface with the FBMS to enhance single sign-on and security capabilities.

The FBMS implementation process will begin in Fiscal Year 2005 with interface design, data conversion, workforce planning, training, and other key milestones. The new system is scheduled to come on-line in October 2005 for Fiscal Year 2006.

Once it is up and running, there will be many benefits. Data will need to be entered only once instead of many times for many different uses, saving not only data entry time but also the effort needed to reconcile data from different systems. Inefficient administrative processes will be eliminated and data/system security enhanced.

Budget and fund tracking will be improved, and the need for the Department to issue frequent data calls to each bureau will be reduced. This will free up more time for mission-focused programs.

The FBMS will enhance our ability to provide wise and effective stewardship of financial resources. It will help to ensure that taxpayers' dollars are put to good use in sustaining the health, diversity, and productivity of America's public lands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The BLM'S Mission and Organizational Structure

The BLM's Mission and History

The Bureau of Land Management's (BLM's) vision is to enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources. Its mission is to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations.

The BLM manages 262 million acres of surface estate on public land, about one-eighth of the land in the United States. The BLM also administers approximately 700 million acres of on-shore Federal mineral estate on or underlying both Federal surface ownerships and some privately owned surface. In addition, the BLM has trust responsibilities on 56 million acres of Indian trust lands for approval and supervision of mineral operations and cadastral (land) survey.

BLM-managed public lands contribute to the quality of life of the American people and to our national interests in many different ways. The public lands offer boundless opportunities for recreation and adventure in some of the most spectacular landscapes on the continent. These public lands also support economic activities that are vital to the health of local economies and to our national economy.

The way of life we Americans take for granted every day depends on a stable and abundant supply of affordable energy. Oil and natural gas supply 65 percent of the energy we use in our country, and BLM-administered lands provide 5 percent of the nation's current oil supply and 10 to 11 percent of the nation's natural gas supply. Except for oil, America has abundant energy resources, with large reserves of natural gas and coal.

Through its leasing and permitting program, the BLM is encouraging the development of alternative energy sources such as hydropower, wind, geothermal, biomass, and solar. At the same time, the Bureau encourages Americans to not waste energy, but to use it wisely—thus reducing future demand.

The BLM administers some of the most ecologically and culturally diverse, and scientifically important, lands belonging to the Federal government. Among its varied responsibilities for managing and protecting our Nation's priceless natural and cultural legacy is stewardship for:

- Commercial activities
- Conventional energy sources (oil, natural gas, coal, etc.)

- Renewable energy (wind, solar, geothermal, biomass, etc.)
- Minerals (gold, zinc, precious metals, etc.)
- Public land survey system plats and field notes
- Rights-of-ways
- Transportation systems (roads, trails and bridges)
- Fish and wildlife habitat
- Range management and grazing
- Wild free-roaming horses and burros
- Rare, vulnerable and representative habitats, plant communities, and ecosystems
- Threatened, endangered, and special status species
- Invasive and noxious weeds
- Wildland fire activity and the wildland-urban interface
- Paleontological resources and archaeological and historical sites, including museum collections derived from those areas
- Interpretive activities to meet scientific and educational needs
- Wild and scenic rivers
- Wilderness and wilderness study areas
- Recreation opportunities

The BLM was created in 1946, when the Grazing Service was merged with the General Land Office to form the Bureau of Land Management within the Department of the Interior. When the BLM was initially created, there were over 2,000 unrelated and often conflicting laws for managing the public lands. The Bureau had no unified legislative mandate until Congress enacted the Federal Land Policy and Management Act of 1976 (FLPMA).

In FLPMA, Congress recognized the value of the remaining public lands by declaring that these lands would remain in public ownership. FLPMA also gave us the term "multiple use management." This is defined as "the management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people."

The needs of a growing and changing West are increasing and we must address them. The American West, home to most of our BLM-managed public lands, is now the fastest growing region of the Nation. Eight of the 12 fastest-growing states are in the West, and the rate of growth in these western states averaged 30 percent from 1990 to 2000—more than twice the national average of 13 percent during the same period. Millions of people in rapidly growing western communities are now within an hour's drive of formerly remote public lands.

As a result of these and other changes, public lands are increasingly viewed from the perspective of their diverse recreational opportunities, their cultural resources and, in an increasingly urban world, their vast open spaces. However, the more traditional land uses of grazing, timber production, and energy and mineral extraction also remain important, especially to the economic and social well-being of many rural Western communities.

Livestock grazing on public lands is an integral part of the Western lifestyle. Many ranchers point proudly to the generations before them who have managed the lands for productivity and continuity. They have not only supported their families and enriched their communities, but they have conserved the quality of the rangelands while providing food for the world.

Wild horses and burros, traditional icons of the Old West, are also key factors for successful range management. The BLM and the Forest Service received authorization in 1971 to manage, protect, and control these animals on the nation's public lands to ensure healthy herds and healthy rangelands. The BLM monitors rangelands and herds of wild horses and burros to determine the number of animals, including livestock and wildlife, the land can support. Each year the BLM gathers excess wild horses and burros from areas where vegetation and water could become scarce if too many animals use the area.

Many diverse partners—the general public, various constituent groups, and other agencies and levels of government—have eagerly joined the BLM in collaborative decision-making and on-the-ground projects. These cooperative efforts continue to greatly benefit the public lands and everyone who relies on them. We appreciate the Tribes, the States, the counties and local communities—our many partners, volunteers, friends, and neighbors. We are grateful for their many contributions and valuable help.

The current Administration is placing more faith and trust in the people, their knowledge, their experience, and their respect for the land. The BLM ensures ***consultation*** with those most affected by the Bureau's decisions, open ***communication*** with everyone affected by or involved in our programs, and ***cooperation*** with all stakeholders as we solve problems creatively. These actions result in effective ***conservation***, the cornerstone of our efforts to manage healthy public lands for the benefit of current and future generations.

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(A) = Acting

Performance Goals and Results

Implementing the Government Performance and Results Act in the BLM

The Government Performance and Results Act requires Federal agencies to set priorities and goals, determine strategies for reaching those goals, measure their performance, and report on progress each year. In 1997, the BLM developed and published its first strategic plan for the period 1997-2002. In 2000, the Bureau revised its strategic plan for the period 2001-2005 by simplifying its structure and refining its goals.

In 2004, the BLM developed a totally revised strategic plan, now referred to as an operating plan, for the period 2004-2008. This operating plan tiers directly off of the Department of the Interior's strategic plan, which was released in September 2003.

The BLM's annual performance reporting requirements under the Government Performance and Results Act are now handled as part of the Department of the Interior's Annual Report on Performance and Accountability. This report outlines both long-term and annual goals and shows planned and actual performance levels for the current year, as well as actual performance in recent years to show trends. A discussion section gives background information and explains how and why goals were met, not met, or exceeded.

In addition to the annual performance reporting noted above, we publish this Annual Report, as required by the Chief Financial Officers Act of 1990, following the conclusion of each fiscal year. Our Annual Report is designed to:

- Provide a management discussion and analysis of performance goals and results, systems and controls in place to ensure legal compliance, and future effects of current risks and uncertainties.

- Present our financial statements and notes, along with an overview of the information presented.

- Present our "Stewardship Assets" report, which describes the fulfillment of our stewardship responsibilities for public lands/ resources, natural heritage assets, museum collections, and paleontological and cultural heritage properties.

- Discuss deferred maintenance issues for the BLM's buildings, roads, bridges, recreation facilities, and other infrastructure assets.

The "Overview of Performance Goals and Results" narrative presented later in this section serves as a general overview and discussion of the BLM's performance goals and results for Fiscal Year (FY) 2004.

Evaluations to assess performance are an important aspect of complying with the Government Performance and Results Act. We are responding to this need by implementing a new approach to conducting evaluations for our offices and programs.

To detect and prevent problems, our new system uses two interlocking components: local self-assessment and national validation. Best performance practices are identified and shared with others, resulting in productivity and efficiency gains over time and helping to ensure that American taxpayers are receiving the best value for their money.

Overview of Performance Goals and Results

The Bureau has aligned its goals and outcome measures under four overarching mission areas:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

The following paragraphs present selected performance information for the BLM's long-term goals and highlight some important milestones used for measuring our performance.

Resource Protection

The health of BLM-administered public lands continues to be of paramount importance. Healthy lands are more resilient to environmental fluctuation and disturbance, and can better sustain increased use by the public. Based on the BLM's 2005 Budget Justification document, the Bureau expends approximately 23 percent of its total funding on its resource protection mission.

Effective restoration requires complex, multi-faceted actions that may include investments in land treatments, as well as project construction and maintenance. Because knowing the existing condition of public lands is critical to implementing appropriate treatment schemes, the inventorying and monitoring of resources is a major component of the BLM's resource protection efforts.

The BLM's resource protection mission is divided into three areas:

- Improving, restoring, and maintaining the health of watersheds and landscapes.
- Sustaining biological communities.
- Protecting cultural and natural heritage resources.

During the next few years, the BLM will focus on restoring and conserving sagebrush habitat, which is home to over 350 plants and animals classified as BLM species of concern, including the greater sage-grouse. The Bureau is focusing its efforts on limiting the fragmentation of habitat, restoring areas that have lost their productivity, and conserving sagebrush habitat that is in proper functioning condition.

The BLM will continue to support prairie grassland habitat restoration projects. Prairie grasslands on BLM-managed lands support 136 species of birds, mammals, amphibians, and reptiles, as well as 42 species of plants, considered to be sensitive.

Alaska, Oregon, Washington, Idaho, and California all provide habitat for a variety of Pacific salmon species. Thirteen specific populations of salmon are listed under the

Endangered Species Act. Collaboration with soil, water, and air program priorities will accelerate habitat restoration in important watersheds, where both fish and water quality are primary concerns. Appropriate management of these important aquatic resources will allow continued commercial, sport, subsistence, and tribal use.

An additional area of focus for the BLM will include conservation and recovery plan implementation. By implementing conservation and recovery plans, the BLM will increase the percent of species of management concern that are managed to self-sustaining levels. Additionally, implementation of these actions can reduce or eliminate the need for listing and can ultimately reduce Endangered Species Act-related costs over the long term. This will be especially important with the anticipated increase in uses.

The BLM will continue to promote citizen-based stewardship of our public lands. Resource managers will look for opportunities to work with ranchers, conservationists, and other partners to achieve healthier western rangelands while providing for sustainable resource uses.

Initiatives the BLM has undertaken also harness the power of partnerships in restoring and protecting our resources. By building our Challenge Cost Share (CCS), Cooperative Conservation Initiative (CCI), and Application of Science Initiative (ASI), the BLM will be able to leverage resources to benefit the public lands.

The BLM is also focusing on managing wild horse and burro populations for healthy animals and herds that are in an ecological balance with other uses of forage. Proper management will ensure that these icons of the American West can survive on the range. When herd sizes are too large for the range they inhabit, excess wild horses and burros are gathered and removed from the public lands and then made available to private owners through the BLM's Wild Horse and Burro Adoption program. One example of the success the BLM has achieved in adoptions is the Eastern States Office, which was able to place approximately 17,000 wild horses and burros with private owners during a recent five-year period.

The BLM carries out myriad activities on a day-to-day basis to ensure the protection and health of public land resources. These activities include the following examples:

- Completing watershed assessments on millions of acres of public lands and evaluating hundreds of grazing allotments as part of the Healthy Lands initiative.

- Pursuing water-quality-based abandoned mine lands cleanup projects on dozens of sites.

- Developing ground-water monitoring plans to monitor shallow ground-water resources in areas of natural gas development.

- Drilling water wells for livestock to protect nearby riparian vegetation areas.

- Completing gathers in Wild Horse and Burro Herd Management Areas to maintain herds at appropriate management levels and ensure healthy rangelands.

- Increasing the number of forest health restoration treatments and updating forest inventories to better track forest condition.

- Reducing hazardous fuels to protect communities and the environment.

- Preventing substantial amounts of salts in the form of dissolved solids from entering the Colorado River system (over 11,000 tons as of the end of 2003).

- Controlling soil erosion through watershed maintenance work; for example, riverbank stabilization projects, tamarisk or sagebrush

removal coupled with seed plantings of perennial grasses and forbs, and other activities.

- Conducting multistate regional analyses to support species conservation, wildlife program planning, and land use planning activities.

- Stabilizing abandoned mine tailings to prevent surface and ground water contamination as well as the airborne spread of toxic dust.

- Conducting soil surveys using advanced technology and developing predictive models using Landsat 7 satellite images, 10-meter digital elevation models, etc.

- Completing multistate analyses to address air quality impacts, using state-of-the-art air quality dispersion modeling techniques.

- Participating in interagency visibility and atmospheric deposition monitoring networks to evaluate current air quality conditions, establish trends, and ensure that conditions remain within applicable thresholds.

- Encouraging public participation in protecting archaeological and historical resources through an umbrella program promoting public education and awareness called "Adventures in the Past."

- Managing numerous properties for their paleontological values and promoting the use of fossils in research, education, and recreation.

The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free-roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological, and historic sites. These resources are scientifically, ecologically, educationally, culturally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

BLM-administered public lands encompass an estimated 4 to 4.5 million potential archaeological and historical properties. These resources represent the tangible remains of at least 13,000 years of human adaptation to the land and include sites ranging from 12,000- to 13,000-year-old mammoth kill sites associated with Paleo-Indian hunters to World War II and Cold War military sites. Please refer to the Stewardship Assets section (presented after the financial statements in this Annual Report) for specific information on the BLM's cultural resource and paleontological programs.

Day-to-day management activities continue for wilderness areas, wilderness study areas, National Wild and Scenic Rivers, herd management areas (for wild free-roaming horses and burros), National Natural Landmarks, and numerous other special management areas. The BLM also manages national monuments and Congressionally designated National Conservation Areas in the western states. Please refer to the Stewardship Assets section (presented after the financial statements in this Annual Report) for specific information (locations, acreages, etc.) on all of these areas.

National Monuments and National Conservation Areas, along with wilderness and wilderness study areas, national wild and scenic rivers, national historic/scenic trails, the Steens Mountain Cooperative Management and Protection Area, the White Mountains National Recreation Area, the Yaquina Head Outstanding Natural Area, and the Headwaters Forest Reserve in California, make up the BLM's National Landscape Conservation System.

In Fiscal Year 2004, the Bureau continued its efforts to protect our Nation's cultural

heritage by inventorying almost 600,000 acres for cultural resources, recording 8,300 properties, and issuing or continuing in effect 600 study or management permits (excluding permits for paleontological collecting). To date, the Bureau has inventoried a total of 16 million acres and "unofficially" recorded over 267,000 cultural resource properties. Of these properties, 402 are listed on the National Register of Historic Places, with 21 listed as National Historic Landmarks, helping ensure that these properties will be protected and preserved for future generations.

Development related to increasing needs for goods and services, the natural weathering process, and the increased use of public lands for recreational activities are all contributing to a decline in the condition of cultural and paleontological resources. In addition, some sites continue to be targeted by pothunters, looters, and commercial collectors. The BLM is addressing these issues through a number of public education and outreach programs, including "Adventures in the Past," *Heritage Education* and *Project Archaeology* (school programs), and others. Additionally, the BLM has been using cooperative management agreements and challenge cost share arrangements for the past 15 years to leverage resources and maximize efficiency. More details can be found in the Stewardships Assets section of this Annual Report.

Table 1 portrays selected goals/targets and actual accomplishments for the resource protection mission area.

Resource Use

Americans have developed a quality-of-life standard that depends on a stable and abundant supply of renewable resources and affordable

Table 1. Resource Protection: Selected Goals and Accomplishments

FY 2004 Annual Goal	Target	Actual
Percent of wetland areas achieving desired conditions	98%	98%
Percent of riparian areas (stream miles) achieving desired conditions	91%	93%
Percent of upland areas achieving desired conditions	63%	63%
Percent of surface waters (stream miles) that meet EPA approved (State) water quality standards	88%	76%
Cumulative percent of acres degraded by wildland fire with post-fire treatments underway, completed, or monitored	19%	17%
Percent change in baseline in the number of acres infested with invasive plant species	Establish baseline	Baseline currently being established
Number of acres restored or enhanced to achieve habitat conditions to support species conservation	9,500	158,000*
Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation	650	801*
Percent of cultural properties in good condition	81%	85%
Percent of museum collections in good condition	100%	100%
Percent of paleontology localities in good condition	90%	90%
Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	60%	86%*

* The BLM's Performance Measures and Targets were revised to implement the DOI Strategic Plan. In some instances, initial targets were based on definitions that changed during the year. As a result, final accomplishments differed significantly from initially projected targets for some of our performance measures.

energy. The ranching culture of the American West has been the backbone of our country, but as the Nation's population has expanded, energy has become increasingly important. The public lands of the West contain great reserves of oil, natural gas, coal, and minerals that maintain our quality of life. Energy keeps our homes warm in the winter and cool in the summer and is critical to producing, processing, transporting, preparing and preserving our food. Energy powers our communication and computing networks and allows us to move people and goods safely and quickly to all corners of the world.

Renewable resources allow our country to be the breadbasket for the world and provide economic opportunities for rural families and business developers. The BLM's goal in managing the public lands is to achieve a balance among all the uses that contribute to the high living standards presently enjoyed by Americans.

America's public lands provide myriad resources that provide opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. Recognizing the Nation's need for a domestic source of minerals, food, timber and fiber from the public lands, the BLM expends approximately 20 percent of its funding to carry out its resource use mission.

The BLM's resource use programs fall under four primary headings that seek to balance the use of renewable resources with nonrenewable resources:

- Managing the use of energy resources; for example, oil and gas.

- Managing the use of non-energy mineral resources; for example, potassium, lead, zinc, sand, and gravel.

- Managing the use of forage resources; for example, domestic livestock grazing.

- Managing the use of forest and woodland products; for example, timber, Christmas trees, posts, and poles.

Managing the Use of Energy Resources

In recent years, the on-shore Federal mineral lands have produced about 35 to 40 percent of the Nation's coal, 10 to 11 percent of its natural gas, and 5 percent of its oil. Coal and natural gas production has been increasing, while oil production from on-shore Federal lands has experienced a slight decline.

The BLM has approximately 52,000 oil and gas leases, 400 geothermal leases, 300 coal leases, 440 other solid leasable mineral leases, and about 220,000 mining claims in effect. After a period of decline in oil and gas leases in the 1990s, the number of leases in effect has been increasing recently. The number of coal leases has remained relatively stable over the past few years. Among the energy and mineral leases on the public lands, about 23,500 oil and gas leases, 55 geothermal leases, and an estimated 130 coal leases are in producing status.

Renewable energy resources on the public lands include wind, geothermal, biomass, solar, and hydropower resources. The BLM and the Department of Energy National Renewable Energy Laboratory (NREL) established a partnership effort in FY 2002 to assess renewable energy resources, excluding hydropower, on public lands in the western U.S. and to identify BLM land use planning units with the highest potential for renewable energy development. The final report, which was published and distributed in February 2003, provides a foundation for the BLM's future renewable energy program.

The BLM currently administers some 22 wind energy right-of-way authorizations for wind energy production on public lands in California and Wyoming that encompass a total

of approximately 5,000 acres and generate a total of about 500 megawatts of electrical power. An additional 63 right-of-way authorizations have been issued for wind energy site testing and monitoring activities in Idaho, Nevada, Oregon, California, Washington, Wyoming, and Montana.

The BLM currently manages geothermal leases that provide geothermal energy to 34 power plants. These have a total rated capacity of over 2,000 megawatts of power. In addition, the BLM manages a small number of direct-use leases, which provide an alternative source of energy for greenhouses, spas, warm-water fish farms, and other commercial uses.

The BLM generated 186 megawatts of electricity from photovoltaics in 2004 from over 600 installations. Photovoltaics provide power for water pumping, outdoor lighting, communication sites, weather and water monitoring, remote field stations, visitor centers, and other uses. Since 1995, over 100 systems have been installed. These systems have focused on replacing fossil-fueled engine generators with photovoltaics. Solar energy is the most cost-effective approach to supplying power to most of the remote facilities, which operate only in the summers when longer days provide plenty of sunshine.

Many of the dams and power plants in the West authorized under the Federal Power Act of 1920 are on former public lands, now withdrawn by the Federal Energy Regulatory Commission (FERC). Most of the projects involving public lands are located in California, Oregon, Washington, and Idaho. FERC published a final regulation on July 23, 2003, that revises procedures for hydroelectric licensing under the Federal Power Act. The new regulation, which became effective on October 23, 2003, provides for expanded public participation and streamlines the licensing process, particularly with respect to compliance with the National Environmental Policy Act (NEPA).

Since the publication of the President's National Energy Policy in May 2001, the BLM has been taking steps to implement its provisions. Consistent with the high priority for energy development, the BLM divided its Long-Term Strategic Goal for Energy and Minerals on the Federal lands into two separate goals: one for energy minerals and one for non-energy minerals. These two goals have been adopted as separate goal areas in the Department of the Interior's Strategic Plan under the Resource Use section, which is one of four outcome goals.

Managing the Use of Non-Energy Mineral Resources

The number of leases in the "other solid leasable minerals" category (combined hydrocarbons, phosphate, sodium, potassium, gilsonite, asphalt, some hardrock, and some sand and gravel) has declined slightly in recent years. The number of active mining claims appeared to reach its lowest level in 2001 and 2002 and increased in 2003 and 2004.

The public lands produce a large portion of the Nation's fertilizer minerals, as well as mineral materials, gold, silver and other critical metals. About 13 million cubic yards of sand and gravel and other mineral materials were extracted during FY 2004.

Managing the Use of Forage Resources

Livestock grazing is an important use of the public lands, central to the economic livelihood and culture of many rural communities. A significant portion of the cattle and sheep produced in the West graze on public rangeland. Among all commodities, livestock grazing has the highest indirect effect as dollars recirculate through local communities, resulting in an economic multiplier effect of 4.3. In FY 2004, permittees and lessees used about 6.6 million animal unit months (AUMs) of forage out of the 12.7 million AUMs that are permitted/leased; the BLM collected approximately $9 million in grazing fees. These figures have been running

significantly lower than in past years because of a severe drought throughout the western United States.

Managing the Use of Forest and Woodland Products

The BLM's forests and woodlands are managed to sustain, maintain, and restore ecosystem integrity, diversity, and productivity, thus providing long-term ecological and economic benefits. Forest products are an important economic component in western Oregon, which contains some of the most productive forest lands in Federal ownership. Many communities in California, eastern Oregon, Idaho, Montana, Wyoming, and Colorado also rely on the steady flow of public sawtimber.

Woodland products are another important component of the BLM's forest management program. Woodland management is a primary component in Arizona, Nevada, Utah, New Mexico, and Colorado. The BLM continues to respond to the local demand for firewood, posts, poles and other wood or vegetative products.

The BLM has developed a biomass utilization strategy that will address forest health and restoration concerns from the President's Healthy Forests Initiative, reduce hazardous fuels identified in the National Fire Plan, and diversify the Nation's energy portfolio consistent with the National Energy Policy.

Biomass thinning removes small-diameter trees and residues that result from the scientific application of forest and woodland restoration treatments. Biomass can then be converted into transportation fuels, such as bio-ethanol, bio-diesel and bio-gas, or used in combined heat and power plants for electricity generation. The BLM is exploring proposals for converting pinyon and juniper trees to chipped fuel to be used as a biomass source for generating electricity.

A memorandum of understanding among the U.S. Departments of Agriculture, Energy, and the Interior seeks to develop and apply consistent, complementary policies and procedures to encourage the use of woody biomass by-products harvested from forest, woodland, and rangeland restoration projects and fuel treatments.

Other Commercial Uses

Rights-of-way actions are processed and grants or leases are issued to companies so they can use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns.

Table 2 presents goals/targets and actual accomplishments for the resource use mission area.

Table 3 summarizes the commercial activities that occurred on BLM-administered public lands during FY 2004.

Table 2. Resource Use: Selected Goals and Accomplishments		
FY 2004 Annual Goal	**Target**	**Actual**
Number of onshore acres available for energy mineral exploration/development	Surface: 224 million; sub-surface: 366 million Total: 590 million	Surface: 224 million; sub-surface: 366 million Total: 590 million
Number of pending permits/lease applications in backlog status for fluid energy minerals	2,100	2,182
Number of pending permits/lease applications in backlog status for solid energy minerals	26	45*
Number of pending permits/lease applications in backlog status for rights-of-way	1,850	1,007*
Number of acres available for non-energy mineral resource exploration and development	570,700	570,000 (est.)
Number of acres reclaimed to appropriate land condition and water quality standards	8,000	1,786*
Percent of acres with DOI range improvements resulting in sustainable grazing	6.8%	5%
Percent of permitted acres maintained at appropriate land conditions and water and air standards	63%	63%
Volume of wood products offered for sale in millions of board feet (MMBF)	208	188

* The BLM's Performance Measures and Targets were revised to implement the DOI Strategic Plan. In some instances, initial targets were based on definitions that changed during the year. As a result, final accomplishments differed significantly from initially projected targets for some of our performance measures.

Recreation

Recreation and leisure activities are a major part of the lifestyle of millions of Americans as well as international visitors. BLM-administered public lands play an important role in providing these outdoor recreational experiences. The Bureau expends about 4 percent of its funding to contribute to the Department of the Interior's goals for recreation.

BLM-administered public lands and waters provide visitors with a vast array of recreational opportunities. While most of the visits to BLM-managed public lands involve camping in either developed recreation sites or dispersed-use areas, many visitors come simply to view landscapes and other unique natural or cultural features of public lands. Other important activities include hunting, fishing, wildlife viewing, hiking and backpacking, motorized and non-motorized boating, off-highway vehicle (OHV) driving, mountain bicycling, and visiting natural and cultural heritage sites.

The BLM's recreation mission encompasses two primary areas of emphasis:

- Enhancing the quality of recreational opportunities and improving access.

- Providing value in recreation and promoting quality services.

Most recreational activity on public lands occurs in dispersed non-fee areas. While public lands represent a place to have quality recreational experiences at a relatively low

Table 3. Commercial Activities Summary			
Public/Federal Land Commercial Activity	**Value FY 2004 (millions $)**	**Output Impact FY 2004 (millions $)**	**Federal Revenue Generated[1] FY 2004 (millions $)**
Oil & Gas, Geothermal, and Helium[2]	14,217	26,159	1,620
Coal	3,645	9,478	545
Other Leasable[3] and Salable Minerals	943	2,452	46
Grazing	62	267	9
Timber	33	111	22
Realty[4]	NA	NA	NA
Total[5]	18,900	38,467	2,242

Note: Table does not include the economic value of commercial and non-commercial recreation activities on the public lands. Recreation is discussed in another section. NA means data was not available at time of publication.

Special notes for the 2004 table:

[1] Leasable revenues are generated by the BLM through its land use planning, minerals leasing, permit approval, and inspection and enforcement programs, including production verification. However, most of these revenues are actually collected and distributed by a separate agency, the Minerals Management Service.

[2] Beginning in FY 1999, dollars from geothermal, CO2, and helium were added to oil and gas. Previously, geothermal and CO2 were included with other leasable minerals.

[3] Leasable minerals are those disposed under the Mineral Leasing Act of 1920, including oil and gas, coal, and other leasable minerals such as phosphate, sodium, potassium, gilsonite, and some hard rock minerals. Salable minerals are those disposed under the Materials Act of 1947 and include sand, gravel, stone, and clay.

[4] Rental fees include rights-of-way and communication sites. In previous years, only right-of-way fees were shown.

[5] The BLM does not collect locatable minerals production data. In previous years the production value shown was extrapolated from a 1995 estimate and adjusted for production on lands that left Federal ownership through the patent process. There have been dramatic changes in mineral prices and the amount of production taking place on Federal lands since the original estimate was prepared. This estimate is no longer thought to be reliable so it has not been included this year. Locatable minerals include gold, silver, other metals, and some industrial commodities. The BLM has collected about $30 million in location and holding fees for locatable minerals in FY 2004. This is not shown in the table above.

cost to visitors, the economic impact is still significant, especially to gateway communities.

Recreation on BLM public lands provides significant benefits to local, regional, and state economies. The total economic impact of travel-related expenditures for recreation on BLM lands is estimated to run into the billions of dollars. These travel-related expenditures for recreation on public lands support tens of thousands of jobs and contribute significantly to the viability of thousands of small businesses, especially outfitting, guiding, and tourism-related companies and community service providers that depend on both access to and the availability of the public lands.

The BLM focuses on providing quality recreation opportunities and adventures on the Nation's vast western landscapes. The public has the freedom to pursue unstructured recreation opportunities, but people are asked

to respect other visitors and local cultures, and to practice stewardship principles and ethics, while using and enjoying the public lands. The BLM, in turn, focuses on preserving natural and cultural resources, resolving user conflicts, and providing for public health, education, and safety.

Leave No Trace is an outdoor ethics program centered on ways and means to minimize impacts on natural resources, wildlife, and other users. The BLM is a major supporter and sponsor of the program, which is one of the Bureau's outdoor ethics education tools. The BLM's course, Masters of Leave No Trace, taught the principles of Leave No Trace to numerous public land users during the year. The program has been adopted as the official outdoor ethic of the human-powered outdoor recreation industry, with over 300 manufacturers and retailers joining with Federal agencies to bring the message to the American public and international visitors.

The Leave No Trace program has been embraced by recreation users across the spectrum, from wilderness to OHV enthusiasts. It is the only program of its kind that has been universally adopted, administered, and used in a unified, joint effort by the BLM, USDA Forest Service (USDA-FS), National Park Service (NPS), and U.S. Fish and Wildlife Service (USFWS). Whenever possible, it is taught by this interagency group with no differentiation among agencies or private partners. The BLM has teamed up with these partners to bring the message in recent years to such diverse groups as the National Trails Conference, Outdoor Writers of America Association (OWAA), Outdoor Retailers Show, Rocky Mountain Elk Expo, National Philmont Scout Camp, and Western Region Boy Scout "Camp School."

Tread Lightly! is another program supported by the BLM. Through education, restoration and research, this program aims to empower outdoor enthusiasts to recreate responsibly. The BLM is a major supporter and sponsor of the program, along with the USDA-FS, Bureau of Reclamation (BOR), NPS, and Corps of Engineers. Originally geared toward responsible use of motorized and mechanized use on public and private lands, the principles of the program have been expanded to provide an outdoor ethics message for a wide variety of user groups.

Activities related to travel management have been a central focus for over 85 percent of the Bureau's field offices. Roads and trails found on public lands are either two-track vehicle routes or single-track trails. Many of these are "legacy" roads and trails, created incidentally over the last century (rather than designed and constructed) as a result of mining, grazing, or other public land activities. Today, these roads and trails are widely enjoyed by recreation enthusiasts. While the Bureau maintains approximately 80,000 miles of roads and over 15,000 miles of trails in a systematic way, other vehicle ways and most trails receive little or no maintenance or management attention. An estimated 600,000 miles of these trails exist on BLM-managed public land.

To further address trails management, the Bureau continues to participate on the Federal Interagency Council on Trails and offers the Interagency Trails Management Course. In addition, the Bureau participated on an Interagency Trails Data Standards Team and organized a BLM National Trails and Travel Management Team with participants from each state. The National Mountain Bicycling Strategic Action Plan was also completed and is being implemented.

The Bureau is continuing to participate in the Recreational Fee Demonstration Program, under which public land visitors are charged a fee to use many of the Bureau's campgrounds, day-use areas, and other developed recreation sites. All of the money collected is reinvested at the site of collection to improve its physical infrastructure and enhance customer satisfaction, directly benefiting those who pay for and use the site.

The BLM Recreation Program also participates in National Trails Day activities and National Public Lands Day (NPLD) projects, which draw thousands of volunteers to BLM sites across the Nation. Each year, NPLD events promote environmental awareness and ethical outdoor behavior, as well as enhancing BLM recreation sites by providing needed maintenance and improvements. Volunteers typically build trails, transform sites into universally accessible areas, renovate buildings, and make numerous other contributions to recreation opportunities and amenities on the public lands. Leave No Trace, a national sponsor of NPLD, donates educational materials and other items and provides no-cost training to site coordinators.

The BLM's interpretive program fosters an appreciation for public land resources and an understanding of the relationships between people and the public lands. Interpretation tells the story of how the BLM manages resources and provides opportunities for public use. The Bureau's interpretive program gives the public the information they need to be more environmentally responsible while enjoying their public lands.

The BLM has approximately 30 full-time interpreters. Most are located in the five major visitor centers: Nevada's Red Rocks Canyon Visitor Center, Colorado's Anasazi Heritage Center, Oregon's National Historic Oregon Trail Interpretive and Yaquina Head Interpretive Centers, and the recently opened National Historic Trails Interpretive Center in Wyoming. In addition to these interpretive centers, the BLM has 42 smaller visitor centers and visitor contact stations to reach out to public land visitors. In these facilities, BLM staff, volunteers, and partners (such as cooperating associations) put on special events, give tours, and work with community groups to develop special interpretive programs that involve the surrounding communities.

One issue for the Bureau is finding opportunities to reach out to widely dispersed recreational visitors. To meet this challenge, the BLM has increased the number of wayside exhibits on public lands to provide interpretive information.

Table 4 portrays selected goals/targets and actual accomplishments for the recreation mission area.

Serving Communities

The BLM expends approximately 53 percent of its funding to serve the Nation's citizens and communities, to ensure that people and property are protected from hazards associated with the BLM's land management programs,

Table 4. Recreation: Selected Goals and Accomplishments

FY 2004 Annual Goal	Target	Actual
Percent of recreation users satisfied with the quality of their recreation experience on the public lands	94%	94%
Number of acres made available for recreation through management actions and partnerships	260 million	260 million
Number of river and shoreline miles made available for recreation through management actions and partnerships	14,500	14,500
Percent of universally accessible facilities	9%	7%
Percent of recreation areas with community partnerships	80%	21%*
Number of visitors served by facilitated programs	82,700	12 million*

* The BLM's Performance Measures and Targets were revised to implement the DOI Strategic Plan. In some instances, initial targets were based on definitions that changed during the year. As a result, final accomplishments differed significantly from initially projected targets for some of our performance measures.

and to fulfill the government's Indian trust responsibilities. To achieve these goals, the BLM collaborates with many constituents, applying the Secretary of the Interior's Four C's Vision: "Conservation through Consultation, Cooperation, and Communication."

The BLM's goals under this mission have been organized into three main areas:

- Improving fire management and safety.
- Improving public safety and security and protecting public resources.
- Improving information management.

Providing Fire Protection

The Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The BLM's National Office of Fire and Aviation is headquartered at the National Interagency Fire Center in Boise, Idaho, where fire experts develop policy, conduct wildland fire research, and coordinate with fire managers from other firefighting organizations, both nationally and internationally. Because wildland firefighting is a demanding and hazardous profession, the BLM takes every measure to ensure firefighter safety and the protection of life, property, and natural resources.

The public lands and their myriad resources—soil, vegetation, wildlife habitat, and human structures/improvements—are frequently at risk, particularly during a drought year. Much of the western United States has experienced a multi-year drought in recent years, causing the fire danger to be much higher than normal.

Reducing Threats to Public Health, Safety, and Property

The BLM addresses a wide range of public land situations posing risks to public land users. BLM-owned facilities represent a substantial public investment in roads, bridges, dams, administrative sites, campgrounds, and firefighting stations. Maintaining these facilities in a safe condition and operating them in compliance with all safety, health, and environmental requirements is a key goal.

Historic and documented public land uses such as mining and milling operations; oil and gas production; landfills; military operations; and rights-of-way for powerlines, pipelines, and other commercial activities have resulted in environmental contamination from spills, leachate, emissions, exposure to the elements, and other types of releases. More recently, toxic releases have come from unlawful activities such as wire burning, illegal dumping of highly toxic wastes from drug production, and intentional dumping of toxic materials. Collectively, these activities represent a substantial potential for soil, water, and air pollution as well as threats to public health, safety, and property.

The BLM works to reduce threats and to protect employees, visitors, and other public land users in many ways. The Bureau evaluates safety concerns, identifies hazards and risks, studies past experiences and responses, trains employees, and educates the public. Regular inspections, maintenance, and repairs are completed for BLM-owned facilities, including administrative sites, campgrounds, other recreation sites, buildings, roads, bridges, trails, and dams. The BLM annually pursues funding

for these response and cleanup activities through appropriate avenues.

The BLM conducts Compliance Assessment – Safety, Health, and the Environment (CASHE) audits at all of its facilities on a recurring basis to identify facility compliance issues and assist the field's efforts to provide safe visits for the public. Baseline and follow-up audits have been completed at the vast majority of BLM facilities. Audits were completed at 25 organizational units in FY 2004, most of which were third-round audits. The audits have resulted in the BLM making significant improvements in drinking water systems and hazardous materials storage.

BLM law enforcement officers work with partners both inside and outside the Bureau to protect lives, resources, and property. Initiatives to protect delicate and irreplaceable resources, safeguard visitors and employees, and recover losses to the government have been implemented.

Improving Land, Resource, and Title Information

The BLM holds extensive historical records and maintains current land title information for determining land ownership, condition, location, rights, and authorized uses on most of the private, public, and tribal lands in the United States. The agency performs cadastral surveys and completes land transactions, producing voluminous amounts of information that supports land management and scientific activities for many government agencies, as well as the private sector. Historical data on patented lands, along with current information on the mineral estate, resource conditions, and permits or leases on Federal lands, is updated and provided on a daily basis.

The BLM responds to thousands of requests for information every year and has improved customer access to and use of this information. Cadastral survey information for over 32,000 townships and almost 4.2 million General Land Office (GLO) land title records has been converted to digital form; 2.9 million of these records have also been scanned and imaged for viewing on the GLO website. These records are now more readily accessible to decision makers as well as the public, thanks to Internet and GIS technologies.

In recent years, millions of townships of data have been downloaded into multiple databases across the country to support applications ranging from wilderness, open space, planning, recreation, and commercial activities (oil and gas, timber, coal, etc.), to tax assessment and 911 emergency dispatch. The BLM's cadastral and land records provide a critical foundation for addressing energy development and urban growth throughout the United States.

Cadastral and land records are used to manage wildland fires. These records are used to determine the most efficient deployment of fire support personnel by sending them to areas that have real estate and real property requiring protection.

The BLM continues to integrate its boundary records with the USDA Forest Service, with other Federal agencies, and with tribes, states, counties, and the private sector to build a common cadastral/lands information base across the landscape that can serve multiple stakeholders. The national website established for downloading Geographic Coordinate Data Base (GCDB) data has proven to be successful and is providing the most accurate digital portrayal of parcel boundaries.

The BLM is working hand-in-hand with states, counties, and other federal agencies to standardize digital data representing the Public Land Survey System (PLSS) in support of the Western Governors' Association (WGA) policy, National Spatial Data Infrastructure, and Geospatial One Stop E-Gov initiative. This effort has been recognized and endorsed by the WGA as supporting livable communities, encouraging economic development, and

enabling community leaders to better manage both. The WGA has also has urged the BLM, in collaboration with states, counties, and tribal governments, to complete, enhance, and maintain the Geographic Coordinate Data Base (GCDB) as the standard representation of the Public Land Survey System in the western states. Using the GCDB to standardize the PLSS directly supports the BLM's responsibilities as defined in OMB Circular A-16.

The public is performing online Internet searches for information and subsequently downloading digital data or filing requests for historical information directly with BLM offices. One example is the Bureau's General Land Office Records website (*http://www.glorecords.blm.gov*). Since going online in May 1998, this site has recorded more than 6.1 million individual visitors who have accessed 235 million pages of information and ordered more than 109 million copies of patents contained on the site. The demand for the Bureau's land title records remains high, as demonstrated in Table 5 by the large number of users accessing the BLM's Eastern States GLO website.

The BLM has the lead responsibility for the National Integrated Land System (NILS). This system is a collaborative project with the USDA Forest Service, states, counties, tribes, and other Federal agencies to provide a business solution for land managers. These individuals face an increasingly complex environment of complicated transactions, legal challenges, deteriorating and difficult-to-access records, and a deteriorating system of property boundaries. NILS will provide the tools needed to collect, manage, and share survey data, cadastral data, and land records information.

Updating Land Use Plans

Land use plans provide the basis for nearly all decisions affecting BLM-administered public lands. There are almost 170 land use plans on the public lands. The focus of the Bureau's efforts is ensuring the adequacy of its existing land use planning and National Environmental Policy Act (NEPA) base with respect to new information about demands on public land resources.

During the past two decades, demands on public land resources have grown at a rate that outpaces our ability to resolve existing land use conflicts and anticipate future demands accurately. Several major issues have emerged since the first round of the BLM's land use plans and their associated environmental impact statements (EISs) were completed. These

Table 5: GLO Website Usage

Time Frame	Hits	Requests	Visitors
May 01, 1998 - July 31, 1998	7,615,107	2,761,486	196,824
August 01, 1998 – November 02, 1998	5,038,543	2,080,662	176,091
November 03, 1998 - April 30, 1999	14,999,937	5,924,412	345,381
May 01, 1999 - September 30, 1999	14,174,358	5,206,187	334,819
October 01, 1999 – September 30, 2000	40,403,516	19,509,348	1,240,544
October 01, 2000 – September 30, 2001	40,388,863	20,211,366	1,511,341
October 01, 2001 – September 30, 2002	28,533,909	12,443,394	622,273
October 01, 2002 – September 30, 2003	37,757,042	16,888,185	846,644
October 01, 2003 – September 30, 2004	46,527,153	24,419,042	868,212
TOTAL	235,438,428	109,444,082	6,142,129

Note: A "Hit" is any connection to the GLO website; a "Visitor" is a series of requests from a user of the GLO website. In FY 2004, the GLO website celebrated 200 million cumulative hits, making it the most popular website hosted by the Department of the Interior.

include the protection of species habitat under the Endangered Species Act, rapid population growth in the West, a renewed emphasis on the need to develop renewable and nonrenewable domestic energy, and new regulations and policies that require the BLM to invite other Federal, state, and local agencies to participate in land use planning activities. As a result of all of these factors, the Bureau has found that many of its land use plans no longer reflect current natural resource or socioeconomic conditions.

Starting in FY 2001, the BLM began its largest and most concentrated effort in land use planning in more than 15 years, with national, regional, and local expectations. Over time, the Bureau plans to update its entire planning base.

In conducting its land use planning efforts, the BLM evaluates opportunities for improving land conditions identified in assessments and emphasizes collaborative actions with others. Once areas needing additional planning work have been identified, the Bureau will initiate amendments/revisions to address deficiencies. Updating NEPA and land use planning documents will reduce the risks of litigation and ensure that the BLM has a greater degree of success in meeting its program goals.

Providing Economic and Technical Assistance

Each year, the Bureau calculates Payments in Lieu of Taxes (PILT) under a Congressional formula and disburses these payments to individual counties. These payments are intended to offset property tax shortfalls (under the Congressional formula) occurring in counties with tax-exempt Federal lands administered by the BLM and other Federal agencies. In FY 2004, PILT payments totaling $224 million, an increase of $6 million over FY 2003, were disbursed to nearly 1,900 local governments.

The BLM carries out the Secretary's trust responsibility for several Indian programs, including approval and supervision of post-lease mineral operations on Indian trust lands, cadastral survey of Indian lands, and the issuance of patents for trust allotments.

The BLM provides technical assistance to Tribes by supervising post-lease mineral operations on 56 million acres of Indian trust lands. These operations generate royalty incomes for Indian mineral owners and economic impacts for communities, as well as providing local employment to Tribal members.

Under the Act of April 6, 1884 (25 USC §176), the survey of Indian lands is under the control of the BLM. In addition to conducting surveys, the Bureau provides other cadastral survey services, such as preparing or interpreting legal descriptions, consulting on boundary management issues, conducting field or records investigations, and providing support for appeals, protests, and litigation on Indian lands.

BLM statutory responsibility to survey Indian lands and Indian Reservations helps meet the fiduciary responsibilities of the Secretary of the Interior. In Fiscal Year 2004, the BLM provided essential cadastral surveys and services requested and funded by the Bureau of Indian Affairs (BIA) or tribal governments. These services included defining and marking over 200,000 acres, surveying 3,897 miles of land boundaries, and setting 5,224 survey monuments. BLM surveyors worked with the BIA and tribal employees, as well as contractors, to enhance the Geographic Coordinate Data Base for Indian Trust lands. This benefits land management, land status depiction, mapping projects, GIS applications, and BIA and tribal cadastral coverage efforts.

The BLM has a long history of providing support for community and statewide economic needs through land disposal and conveyance for many purposes under several authorities and programs. During Fiscal Year 2003, the BLM conveyed over 1.2 million acres in Alaska and almost 45,000 acres outside of Alaska.

One of the BLM's most innovative land conveyance authorities is the Southern Nevada Public Land Management Act (SNPLMA),

enacted in October 1998. This Act encourages the BLM to sell land in an open, competitive process, ensuring that the Federal government receives fair market value and generates the greatest return for the taxpayer.

Under SNPLMA, public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley (the fastest-growing urban area in the United States) are sold to the highest bidder and may not be sold for less than their appraised fair market value. A total of 85 percent of the land sale revenue collected is deposited into the SNPLMA Special Account and then invested in interest-bearing Treasury securities. These land sale proceeds and interest revenues can be used for seven specified purposes:

- Acquisition of environmentally sensitive land in the State of Nevada, with priority given to lands in Clark County.

- Capital improvements at the National Park Service's Lake Mead National Recreation Area, the U.S. Fish and Wildlife Service's Desert National Wildlife Refuge, the BLM's Red Rock Canyon National Conservation Area and other areas administered by the BLM in Clark County, and the USDA Forest Service's Spring Mountain National Recreation Area.

- Development of a multi-species habitat conservation plan in Clark County, Nevada.

- Development of parks, trails, and natural areas in Clark County pursuant to cooperative agreements with units of local and regional government.

- Conservation initiatives on Federal land in Clark County, Nevada, administered by the Department of the Interior or the Department of Agriculture.

- Environmental restoration and improvement projects in the Lake Tahoe region.

- Certain costs associated with the disposal of lands and implementation of the Act.

The revenues generated thus enable the BLM and other government entities to acquire and preserve environmentally sensitive lands and to build or maintain trails, day-use areas, campgrounds, or other facilities to benefit public land visitors.

As of the end of Fiscal Year 2004, the BLM's SNPLMA land sales Treasury account had $793 million invested; interest earned during the year totaled $7.2 million. From the program's inception, the BLM has conveyed over 28,500 acres under SNPLMA, with SNPLMA Special Account receipts of $878 million. The Directors of the BLM, U.S. Fish and Wildlife Service, and National Park Service, in partnership with the Chief of the USDA Forest Service, have recommended and received approval from the Secretary of the Interior for the expenditure of almost $1.1 billion in the first six expenditure categories listed above, based both on revenues received and on revenues projected from land sales through June 30, 2005.

Another recently enacted bill, the Federal Land Transaction Facilitation Act, provides the authority to sell public lands and use sale proceeds to purchase other lands to benefit the BLM or other Federal land management agencies. The Act also permits the BLM to retain exchange equalization payments (often made by land exchange proponents to equalize values between Federal and private lands). Under this Act, which applies nationally, not just to southern Nevada, 4 percent of sales or exchange receipts are distributed to the state in which the sale occurred for educational purposes or for the construction of public roads and improvements.

Of the remaining receipts, the BLM can retain up to 20 percent to cover administrative costs of sales and exchanges under the Act. The remainder (that is, at least 80 percent) must be used to purchase inholdings or lands with exceptional resources adjacent to federally designated areas. Inholdings are any non-Federal lands located within specially designated areas managed by the BLM, National Park Service, U.S. Fish and Wildlife Service, or USDA Forest Service, including the Wild and Scenic River System, the National Trail System, Wilderness Areas, or Wilderness Study Areas.

Lands sold must already be identified for disposal in an existing Federal land use plan approved before July 25, 2000. Not less than 80 percent of the proceeds of a sale must be used for land acquisitions in the same state in which sales occurred; the remaining 20 percent of purchase monies may be used in the same state or any other state. The Act does not mandate any sales or establish quotas for sale or purchase. As of the end of fiscal year 2004, sales proceeds under the Federal Land Transaction Facilitation Act totaled approximately $18.8 million and exchange proceeds approximately $2.4 million, for a cumulative total of $21.2 million.

A memorandum of understanding among the applicable Federal agencies to implement the Act was signed on May 5, 2003. This agreement provides the guidelines on how fund disbursements are to be determined in the future.

Table 6 portrays selected goals/targets and actual accomplishments for the serving communities mission area.

Table 6. Serving Communities: Selected Goals and Accomplishments

FY 2004 Annual Goal	Target	Actual
Percent of buildings (for example, administrative sites and employee housing) in fair to good condition	90%	*
Percent of roads in fair to good condition	65%	*
Percent of dams in fair to good condition	70%	*
Percent of bridges in fair to good condition	97%	*
Percent of trails in fair to good condition	67%	*
Cumulative percent of Alaska lands conveyed to the State of Alaska and Alaska Native Corporations	86.3%	86%
Number of public land title records posted on the Internet to assist title, survey, historical, and genealogical research and retrieval	200,000	106,299**
Number of acres of land disposals and conveyances completed outside of Alaska	100,000	44,952***

* The BLM is transitioning to the Department of the Interior's Facility Asset Management System and will instead report on the facilities condition index measures for FY 2005. These measures will not be maintained in the future.

** Because of the Cobell lawsuit, Indian records cannot be made available on the internet; many images and data sets that were processed in FY 2004 are currently awaiting posting.

*** The BLM's Performance Measures and Targets were revised to implement the DOI Strategic Plan. In some instances, initial targets were based on definitions that changed during the year. As a result, final accomplishments differed significantly from initially projected targets for some of our performance measures.

Systems, Controls, and Legal Compliance

Managerial, Administrative, and Financial Controls

The Bureau of Land Management completed an assessment of its systems of managerial, administrative, and financial controls in September 2004 in accordance with the standards, objectives, and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget (OMB). The objectives of this assessment were to ensure that:

- Programs achieved their intended results;
- Resources were used consistent with the agency's mission;
- Resources were protected from waste, fraud, and mismanagement;
- Laws and regulations were followed; and
- Reliable and timely information was maintained, reported, and used for decision making.

In performing its assessment, the BLM management relied on its knowledge and experience gained from the daily operation of Bureau programs and systems of accounting and administrative controls. The BLM's assessment was also based on information obtained as of September 30, 2004, from sources such as internal management control assessments, KPMG's prior-year audit of the Bureau's financial statements, various program evaluations/studies, and performance plans and reports.

Based on all of the above, as well as the of the BLM's independent financial statement audit for FY 2004, the Bureau can conclude the following:

- The BLM's systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved;
- The BLM is in compliance with the U.S. Government Standard General Ledger at the transaction level, and with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA) with the exception of mineral lease procedures, museum collections, and stewardship land reporting; and

- The BLM's information technology systems provide reasonable assurance that the objectives of OMB's Circulars A-127, Financial Systems, and A-130, Management of Federal Information Resources, have been achieved.

Table 7 outlines the specific management control assessments and audits upon which the Bureau relied for its annual assurance statement.

Table 7: FY 2004 Assessments and Audits

Management Control Reviews Used as the Basis for the BLM's Annual Assurance Statement		
Assessment /Audit	**Date Completed**	**Results**
Acquisition Compliance Reviews (DFR) (WO-850)	July 2004	No material weaknesses or best practices were found.
Property Compliance Reviews (DFR) (W850)	July 2004	No material weaknesses or best practices were found.
Systems Application Reviews (DFR) (WO-500)	July 2004	No material weaknesses or best practices were found.
Law Enforcement (WO-120)	August 2004	No material weaknesses or best practices were found.
Invasive and Noxious Weeds (WO-220)	July 2004	No material weaknesses or best practices were found.
Range Management (WO-220)	July 2004	No material weaknesses or best practices were found.
Wild Horses and Burros (WO-260)	June 2004	No material weaknesses or best practices were found.
CASHE (WO-360)	December 2003	No material weaknesses or best practices were found.
Safety and Health (WO-740)	Aug 2004	No material weaknesses or best practices were found.
Asset Management (WO-850)	July 2004	No material weaknesses or best practices were found.
Aviation (FA-100)	July 2004	No material weaknesses or best practices were found.
Fuels (FA-100)	June 2004	No material weaknesses or best practices were found.
Community Assistance (FA-100)	June 2004	No material weaknesses or best practices were found.
National Fire Preparedness (FA-100)	July 2004	No material weaknesses or best practices were found.
Mining Law Administration (AK-940)	August 2004	No material weaknesses or best practices were found.

Table 7: FY 2004 Assessments and Audits (continued)		
Management Control Reviews Used as the Basis for the BLM's Annual Assurance Statement		
Assessment /Audit	**Date Completed**	**Results**
Legacy Rehost (CA-910)	July 2004	No material weaknesses or best practices were found.
Collections (CA-910)	June 2004	No material weaknesses or best practices were found.
Lands and Realty (NV-910)	December 2003	No material weaknesses or best practices were found.
General Management (WO-830)	July 2004	No material weaknesses or best practices were found.
Records Management (NM-910)	May 2004	No material weaknesses or best practices were found.
Production Accountability for Oil and Gas (NM-910)	May 2004	No material weaknesses or best practices were found.
Timber Management (OR-910)	April 2004	No material weaknesses or best practices were found.
Minerals Management (OR-910)	March 2004	No material weaknesses or best practices were found.
Forest Development (OR-910)	January 2004	No material weaknesses or best practices were found.
Genetics (OR-910)	January 2004	No material weaknesses or best practices were found.
Minerals Material Disposal (WY-910)	June 2004	No material weaknesses or best practices were found.
Improper Payment Risk Assessment (NBC-610)	June 2004	No material weaknesses or best practices were found.
OIG/GAO Audits Used as Alternative Reviews:		
Security over the Information Technology Systems at BLM	July 2004	No material weaknesses or best practices were found.
FY 2003 Financial Statement Audit (OIG-KPMG)	December 2003	One material weakness was identified; no best practices were found. Corrective actions will be taken and reported on in FY 2005.
DOI Functional Reviews Used to Support Assurance Statement		
Payment Processes (PFM)	July 2004	No material weaknesses or best practices were found.

The BLM completed its FY 2004 Improper Payments risk assessment as required by the Improper Payments Information Act of 2002, P.L. 107-300. The Bureau reviewed all of its major programs and activities. This review did not identify any "high" risk programs based on the criteria defined by OMB. Additionally, none of the BLM's programs and activities required reporting to the President and the Congress or required a progress report on actions to reduce improper payments.

The BLM implemented corrective actions in fiscal year 2004 to address the following material weaknesses and FFMIA noncompliance issues:

- One carryover material weakness: Management and oversight of the land exchange program

- One Departmentwide material weakness: Information system security controls

- Two FFMIA noncompliance issues: (1) Deferred Maintenance Reporting and (2) Security and Internal Control over Information Technology Systems

Management and Oversight of the Land Exchange Program - In FY 2003, the BLM established a land exchange management and oversight process that requires the review and approval of all land exchanges by the BLM's Deputy Director before they are allowed to proceed. Additionally, before approval by the Deputy Director is given, all land exchanges are reviewed by management and staff at the Field Office and State Office levels, as well as, the National Land Exchange Ream and the Washington Office program management and staff. This level of management and oversight fully addresses the identified material weakness. Therefore, the BLM considers this material weakness to be corrected.

Information System Security Controls - During FY 2003, the BLM completed all actions in its remediation plan to resolve the Department's material weaknesses relating to information system security controls:

- Adopted the DOI Information Technology (IT) Security (SEC) Policy

- Initiated a BLM ITSEC Plan

- Trained Program Managers and System Owners in IT security responsibilities

- Realigned the Bureau's IT Security Manager (BITSM) in the BLM's Chief Information Officer (CIO) organization and allocated appropriate resources to fully implement the Bureau ITSEC program

This material weakness has been downgraded to a reportable condition.

Deferred Maintenance Reporting – This FFMIA noncompliance issues was summarized as follows: The BLM should strengthen its policies and procedures to ensure that deferred maintenance and the cost of remedying deferred maintenance are reported in accordance with federal accounting standards within the supplementary information to the annual financial statements.

In FY 2004, the BLM issued new policy guidance and procedures for reporting deferred maintenance costs under SFFAS No. 6. The guidance clarified the definitions and reporting data standards, as well as methods of distinguishing between deferred maintenance and capital improvements to ensure that Field and consultant based reports for annual financial statements are prepared in accordance with federal accounting standards. In addition, the BLM completed the following corrective actions:

- The BLM preliminarily validated and migrated legacy inventory and deferred maintenance data to the BLM's new Financial Asset Management System (FAMS).

- BLM field users reviewed and validated FAMS data.

- The BLM had completed condition assessments on 60% of its Recreation and Administrative sites as of July 2004.

- The BLM's Washington Office Protection and Response Group (WO-360) and the National Business Center (NBC) verified that the 2004 accelerated condition assessment contract was issued and that work had begun.

- The BLM NBC wrote the new policy guidance and procedures for reporting deferred maintenance values under SFFAS No. 6. This guidance clarified the definitions and reporting data standards, as well as methods of distinguishing between deferred maintenance and capital improvements to assure that Field and consultant-based reports for annual financial statements are prepared in accordance with federal accounting standards. The guidance is waiting for final approval.

- WO-360 and the National Science and Technology Center (NSTC) implemented the Service Level Agreement on Dam and Bridge Protocols and engineering technical support on FAMS to ensure BLM input for DOI asset condition analysis.

- The BLM initiated adjustments of data standards and queries in FAMS to ensure that new policies and procedures for reporting deferred maintenance are reflected in the management system by the time of the FY 2005 report. The BLM has established a reports and queries team composed of members from the FAMS users group to address the issue of adjustments of data standards and queries in FAMS to ensure that new policies and procedures for reporting deferred maintenance are reflected in the management system. Progress has been made for initial reporting capability in the current version, and they are on target for the FY 2005 report.

- The BLM integrated the provisions of the policy guidance and procedures for reporting on deferred maintenance. The BLM's FAMS users group addressed the business process for dealing with deferred maintenance and deficiencies identified in the condition assessment process, through the work order system. This provides the framework for updating the Facility Condition Index (FCI) and work accomplishment process as defined by the Department's policy guidance and procedures.

- The condition assessments and remedy cost estimates are currently under review by the States. Several states have completed the review of the estimates for recreation and administrative sides and have some corrections and comments. The data will be imported into FAMS as the corrections are incorporated and completed.

- The BLM has identified, justified, and prioritized the 5-year deferred maintenance projects for the FY 2006 budget request. The FY 2006—2010 Construction Plan has been finalized and the 2010 Deferred Maintenance and Wildland Fire Plans will be finalized according to the schedule established by DOI in early July.

- The BLM and its contractors issued a national report on the condition of BLM administrative and recreation sites based on completed condition assessments and remedy cost estimates.

- The BLM and its contractors issued a national report on the deferred maintenance for roads on BLM lands and preliminary estimated costs for remedies.

- The BLM implemented deferred maintenance work order functionality in

FAMS to track field accomplishments in correctly identifying and remedying deferred maintenance. The data is currently being loaded in FAMS.

Security and Internal Control over Information Technology Systems – This FFMIA noncompliance issue was summarized as follows:

- The Interior Department Electronic Acquisition System (IDEAS) application is not configured to prohibit individuals from creating and approving purchase requisitions and the purchase orders/awards on a single purchase transaction.

- The BLM does not have documented policies and procedures governing user administration for the FPPS, Paycheck, and Hyperion applications, including the periodic review of user access listings.

- The BLM has not finalized Continuity of Operations (COO) plans and completed testing for its financial applications.

- Employee termination and transfer procedures are not sufficient to effectively remove terminated user accounts from BLM financial systems in a timely manner.

- Collections and Billings System (CBS) administrators are able to log in directly to the CBS database account and are not required to log in under their user account and then switch user roles to make the changes in the database.

- Although the BLM has informal procedures for the development of and change management for the Paycheck application, these procedures are not followed consistently and are not documented into a formal system development methodology.

- As a result of vulnerability assessment procedures performed to evaluate logical access, certain high-risk vulnerabilities were identified on the internal bureau network.

The BLM implemented a corrective action plan that was completed in 2004. To date, the BLM has issued guidance that sets forth the policy on procurement actions. The Washington Office, twelve State Offices and three National Centers are reviewed on a four-year cycle, which means that approximately four of these offices are reviewed annually. Procurement awards (and related documentation) are randomly selected and reviewed for Departmental and Bureau policy compliance with policy. In addition, the BLM has completed the following actions:

- Nobody within the BLM organization has the capability to change user access within the Hyperion application since the application is housed and maintained at the Department of the Interior. The BLM does not believe it cost beneficial to develop formal user security policies and procedures for an application it has no control over and where the owner of the application has formal user security policies and procedures.

- The Continuity of Operations plan and "warm site" for the Management Information System (MIS), CBS, Budget Planning System (BPS), and IDEAS has been implemented. The "warm site" is in full operational status. This was completed as of March 1, 2004. This item is completely resolved.

- The final salary and clearance form has been modified to more quickly identify employees that are leaving the Bureau.

- To satisfy the auditor's recommendation, the BLM applied the "switch-user" function

on July 3, 2003. CBS administrators are no longer allowed to log in directly to the CBS database account and make changes to the database. Additionally, established operations and maintenance (O&M) procedures and processes now provide for proper accountability for identifying the use of the account. Roles and responsibilities of O&M tasks and staff have been defined since the inception of CBS O&M. In addition, the operating system log files daily record activities of all UNIX accounts, including the CBS database account. The switch-user function has been applied to the CBS development, test, and production environments for performing database administration activities with the CBS database account. Consequently, this corrective action fully resolves the audit finding.

- The BLM has also completed the following:
  - Institutionalized the use of a PayCheck Change Management database, which will facilitate the appropriate evaluation, authorization, prioritization, and monitoring of change requests.
  - Institutionalized the segregation of duties between the developer and operations personnel to ensure that only authorized and properly tested code changes are moved into the production environment
  - Institutionalized the use of a code library to ensure that:
    - The source code used in production corresponds to the most recent version of the program
    - Changes by multiple developers are coordinated
    - Adequate controls are in place to prevent unauthorized changes
    - Historical code changes are maintained
  - Developed and implemented procedures to ensure that application documentation and training is appropriately updated and distributed to affected users and IT staff. Consequently, this corrective action fully resolves the audit finding.
- In reference to the Department's installation procedures for Oracle software and default accounts, the weakness of the commercial software containing default accounts was not removed. Several upgrades of the Oracle database environment were performed and the default accounts have been addressed by the BLM's actions. The BLM applied strong passwords to Oracle's default accounts on July 22, 2003.
- The weakness of access control lists and sendmail refers to vulnerabilities of the sendmail process residing on the Ideas Sun Enterprise 4500 system. The BLM disabled sendmail on August 7, 2003, and will not restart it upon system reboot. We have redirected our email delivery subsystem to a different sendmail server and have confirmed that it is functioning correctly. By doing so, the vulnerability identified above is fully mitigated, and can no longer be exploited in the IDEAS environment. Consequently, this corrective action fully resolves the audit finding.
- The completion of the Continuity of Operations plan for CBS required additional software installation, configuration, data loading, and contingency server testing. Additionally, finalizing software licensing

agreements, moving the back-up server to the Colorado State Office, and the procurement of software was needed to complete the implementation of the CBS warm-site. The CBS completion of the Continuity of Operations plan occurred on February 1, 2004.

- The BLM developed and implemented processes and procedures to ensure tighter access controls to the FPPS system: These controls included:
  - A review of all existing users to ensure their access to the system is required to perform their jobs.
  - Development of procedures for adding users.
  - A determination if user access is needed on a continual basis or a one-time/ temporary basis.
  - Development of a standardized user request form that will identify the justification for the system access. This form will be certified by the supervisory official, state personnel officer (if applicable), and Director, National Human Resources Management Center.
  - Having each personnel officer will provide quarterly documentation of system users and level of access by state. They will report "deleted" users, "added" users, and those who continue to have access. A log of these quarterly reports will be kept by the National Human Resources Management Center.
- Although PayCheck had a number of processes and procedures in place, these were fully documented and new processes and procedures were implemented to ensure risks associated with this system are significantly reduced. These system procedures were completed by March 1, 2004.
- The Continuity of Operations plan for the MIS and the BPS required installation, configuration, licensing, and contingency testing before it was considered operational. The MIS and BPS Continuity of Operations plans were installed, tested, and operational as of March 15, 2004.

Business and Financial Systems Integration and Controls

The Bureau's accounting system, the Federal Financial System (FFS), is composed of a number of interrelated subsystems that handle the BLM's complex financial processing needs. FFS capabilities include recording the BLM's budget authority at various levels (appropriations, apportionments, allotments, allocations, etc.) and tracking the execution of the budget at each of these levels. FFS records the amounts billed and collected for services rendered by the BLM; this information is used to prepare bills and dunning notices.

The system also supports buying goods and services and paying vendors, including complying with prompt payment requirements and maintaining relationships with various purchasing documents, such as commitments, obligations, requisitions, receiving reports, and payment vouchers. FFS supports travel document and payroll processing, cost allocation, and cost accumulation, as well as the application of indirect support rates to calculate the full costs of projects. All transactions recorded to various tables in each FFS subsystem support accounting functions that update the general ledger.

The system accounts for every type of Federal appropriated and nonappropriated fund within the BLM's budget authority, including

annual, multi-year, and no-year appropriations. Nonappropriated funds include revolving and working capital funds, budget clearing accounts, and deposit and receipt accounts.

Payments to commercial vendors are generally subject to the Prompt Payment Act, as implemented under OMB Circular A-125. FFS automatically determines if a payment is subject to prompt payment based on the type of vendor and the type of transaction. If a payment is subject to prompt payment, FFS ensures compliance in terms of scheduling the payment, automatically evaluating discount terms, paying any interest due if the payment is late, and taking into account any payment terms unique to the order or vendor.

FFS distinguishes numerous collection types: revenue (billed and unbilled), vendor refund, advance received from a customer, and repayment of a travel advance. Collections and disbursements can involve either a cash or noncash transaction.

Strict edits on all input data ensure the validity of data entered into the system. Editing logic includes a verification of valid accounting distribution and spending controls, along with the completion of required data elements. Once a transaction passes all edits, all relevant tables and the general ledger are simultaneously updated.

FFS also includes a number of processes to ensure the integrity of the database and to assist in administering the system. Processing routines include system assurance programs which verify that header and line tables are in agreement, that all journal postings are in balance, and that all budget records are properly posted. To detect any out-of-balance conditions that might occur due to equipment or system software failures, the system assurance programs verify that components of the online system (reference and inquiry tables, including the General Ledger and budget tables) balance with the historical sequential journal that is the official audit trail.

The Fixed Assets subsystem of FFS allows tracking of all personal property items valued at over $15,000, as well as items designated as "Bureau-sensitive" or "Field-sensitive." Bureau-sensitive items include personal computers, firearms, surveying equipment, and Global Positioning System (GPS) equipment valued at more than $500. Field-sensitive items include property that a BLM field office might want to track regardless of the acquisition cost, such as binoculars. The Fixed Assets subsystem tracks these items, as well as other property such as motor vehicles.

The Fixed Assets subsystem reconciles property items actually received and accounted for with items purchased. Once a property item is officially documented as "received," a custodial officer and property number are assigned, and the item is then inventoried every year. The Fixed Assets subsystem also records when an item is disposed of through public sale, transferred to another agency, or donated to a school or college.

The Bureau was one of the first agencies in the Department of the Interior to establish an interface between IDEAS and FFS. With this interface, once an obligation document (a purchase order, task order, delivery order, contract, or modification) is created in IDEAS, the obligation can be electronically posted to FFS. If the obligation passes successfully to FFS, a confirmation is posted in IDEAS. In addition, IDEAS can pass a funding commitment document to FFS so that funds can be set aside pending actual obligation.

With the level of integration and cross-checking in place among the BLM's acquisition, accounting, and property management/accounting systems, the Bureau has fulfilled the requirement to establish sound management controls and ensure legal compliance.

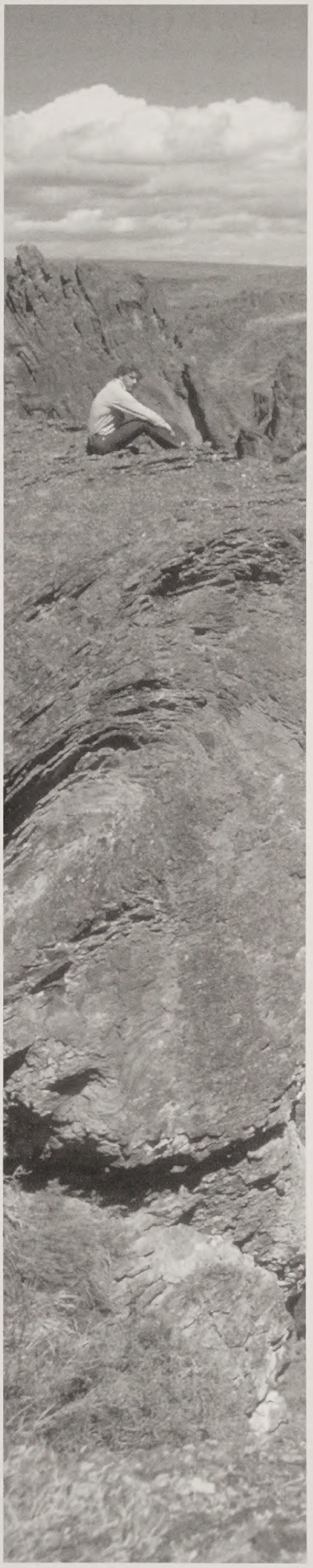
Future Effects of Existing, Currently Known Demands, Risks, Uncertainties, Events, Conditions, and Trends

Natural and Human-Caused Disasters

Most of the Bureau's facilities are located in the western states and Alaska. These facilities are susceptible to typical risks for buildings and structures such as fire, power outages, and natural disaster threats resulting from local conditions such as flooding, tornados, winter storms, and earthquakes.

BLM facilities, personnel, and resources are also subject to security-related risks. Sadly, the threats and acts of terrorism that occurred in 2001 reinforced the need for government agencies, including the BLM, to review and revise business continuity and related contingency plans to ensure that essential services can be provided during emergency conditions.

Possible Future Effects: Natural and human-caused disasters could range from minor damage or disruption to large-scale catastrophes resulting in extensive employee injuries and destruction of property. The BLM's contingency plans are designed to save lives, prevent damage, and minimize adverse consequences. However, no amount of planning and preparation can totally prevent disasters from striking.



Wildland Fires

As noted in a previous section, the Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The BLM's National Office of Fire and Aviation is headquartered at the National Interagency Fire Center in Boise, Idaho, where fire experts from the five Federal wildland fire agencies and the National Association of State Foresters develop policy, conduct wildland fire research, develop equipment, and coordinate with state and local, as well as international, firefighting organizations. Because wildland firefighting is a demanding and hazardous profession, the BLM takes every measure to ensure firefighter safety and the protection of life, property, and natural resources.

The public lands and their myriad resources—soil, vegetation, wildlife habitat, and human structures/improvements—are frequently at risk, particularly during a drought year. Much of the western United States has experienced a multi-year drought in recent years, resulting in the fire danger being greater than normal.

Possible Future Effects: While the BLM is taking steps to reduce the number of human-caused fires, fires caused by natural events such as lightning strikes will always present a risk to public lands and resources. Historically, every fire season has at least one or two unusually active regions. Recent fire seasons have demonstrated that adequate firefighting resources and a high level of preparedness can control fires and prevent extensive destruction.

An overabundance of fuel still exists and will for years to come. Consequently, severe fire outbreaks, widespread damage to public lands and resources, and even loss of human life can be expected. This, in turn, will require extensive emergency fire rehabilitation efforts to control soil erosion, as well as long-term efforts to restore fire-damaged lands to full productivity and health.

Crime and Unauthorized Use

Public lands are not immune from the criminal activities that threaten resources and the health and safety of visitors. With the growth of communities, especially in areas adjacent to public lands, illegal activities and unauthorized use will continue to flourish. These activities also occur on the most remote pieces of public land and include vandalism and theft of irreplaceable natural and cultural resources.

The designation of additional special management areas (national monuments, wilderness areas, areas of critical environmental concern, etc.) has led to a greater degree of regulated use and restrictions. The intent of these restrictions is to maintain the special values of these areas, but there are public land users who will deliberately violate the restrictions, damaging these unique areas and their resources.

Although the BLM issues permits for many commercial uses of public lands, numerous individuals use or take resources without obtaining the required authorizations. These individuals bypass the normal environmental review process and cause adverse impacts that would otherwise be avoided by prohibiting certain uses or attaching stipulations to protect resources and ensure public safety.

Other activities that impact public lands include illegal drug cultivation and drug labs, hazardous waste dumping, illegal activities associated with our Nation's borders, and other crimes that negatively impact the public lands.

To ensure that visitors have safe and positive experiences on the public lands, BLM rangers and special agents maintain a capability for providing public assistance and responding to illegal activities that compromise public safety or damage public lands or facilities. The BLM's law enforcement program works cooperatively with state, county, and local law enforcement agencies to meet the growing workload.

Possible Future Effects: Crime and unauthorized use will continue to be a problem on the public lands, given the huge acreages involved and the impossibility of keeping track of every activity occurring across the nearly 262 million acres managed by the BLM. Unauthorized use will continue to cause the loss of resources and cost significant sums of money to rehabilitate and restore public lands and resources to former levels of health and productivity. Perhaps the most dramatic examples are the looting of cultural and paleontological resources to be sold to overseas collectors and the millions of dollars in lost resources and funds expended for the suppression of human-caused fires.

Deferred Maintenance

Deferred maintenance occurs when regularly scheduled repairs and preventive maintenance cannot be completed. The problem is compounded by the fact that maintenance costs continue to increase, as well as the trend for the BLM's capital asset base (buildings, roads, recreation sites, etc.) to increase over time. Adequate funding and staffing for repairs and maintenance is essential if the Bureau is to maintain its facilities in good functioning condition and reduce its accumulated deferred maintenance workload.

The Deferred Maintenance section presented later in this document provides more detailed information on the extent of the BLM's capital assets (buildings, administrative sites, recreation sites, roads, bridges, trails, and dams). It also explains how the BLM tracks these capital assets and estimates maintenance costs.

Possible Future Effects: Funding is needed for regularly scheduled repairs and preventive maintenance to ensure quality experiences for public users and to ensure the safety of both visitors and BLM staff. The estimated and reported cost of regularly scheduled repairs and preventive maintenance must accurately reflect the BLM's true annual maintenance needs. Preservation of capital investments is contingent on the BLM's ability to perform preventive maintenance and make timely repairs. Maintenance that is deferred becomes more costly over time. If delayed long enough, the result is severe deterioration or even total loss of facilities. This, in turn, could result in resource damage. For example, not maintaining a hiking trail on steep terrain could result in soil erosion, the formation of gullies, and vegetation loss. In some instances, critical health and safety problems could be created for both BLM employees and the public.

Contingent Liabilities: Judgments and Claims

The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues; injuries or death that occur on BLM-managed public land or roads; issues regarding takings and suspension of mining claims; and other issues.

Possible Future Effects: The outcomes of lawsuits will not materially affect the BLM's future financial condition or operations. The U.S. Treasury's judgment fund would likely bear most of the costs incurred to pay any judgments or settlements.

Contingent Liabilities: Environmental Cleanup

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act of 1977, and the Resource Conservation and Recovery Act of 1976 require Federal agencies to report sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances, to restore injured natural resources, and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airstrips. Significant portions of the costs of

cleanup will be incurred by or recovered from responsible parties external to the BLM.

Possible Future Effects: Undetected or unmitigated releases of hazardous substances on public lands could result in resource damage (soil or water contamination, vegetation loss, wildlife habitat destruction, etc.). Loss of human life, harm to human health, and damage to property are also possible, especially in the rapidly growing wildland-urban interface areas of the West and in the more heavily used recreation areas. On the other hand, the larger, undeveloped rural tracts of public land tend to minimize the odds of impacts to the public. The Bureau is working aggressively to identify and clean up sites posing a danger to humans or natural resources.

Contingent Liabilities: Abandoned Mine Lands

The Bureau maintains an inventory of known abandoned mine land (AML) sites that may pose an environmental or public safety hazard on the public lands. BLM personnel conduct targeted field validations of potential AML sites and hazards, with the primary focus on priority watersheds and high-use areas. State agencies and the public often identify AML hazards they encounter on public lands

The BLM works in partnership with other government agencies and private landowners to target and leverage funding and coordinate projects. Watershed projects are typically complex, multi-year efforts.

The Bureau continued this past year to alert the public to the dangers of abandoned mines by providing web-based information on AML hazards and ongoing projects; distributing several thousand safety brochures; and giving AML safety presentations to classrooms, special interest groups, and local outreach venues. The BLM also continued to support the Mine Hazard Awareness Campaign, a Federal and state cooperative effort initiated by the U.S. Department of Labor's Mine Safety and Health Administration to increase public awareness of the dangers posed by active and abandoned mines. This program emphasizes overall safety awareness, with a special emphasis on education for school-age children.

Possible Future Effects: Given the large number of abandoned mine sites believed to exist on BLM-administered public lands, there is a significant potential for serious injuries or death for people who wander across these sites or who explore old mine tunnels and buildings. The BLM faces exposure to lawsuits or claims for damages resulting from deaths or injuries at these sites. As population sprawl continues across the West, and as more visitors come to the public lands to enjoy recreation activities and experience open space, more people will come into contact with what once were remote abandoned mine sites. The BLM has no basis for estimating the future financial impact of abandoned mine hazards.

Discussion and Analysis of the Financial Statements

This Annual Report presents the BLM's financial statements. There are four basic objectives for financial reporting in the Federal government:

- Budgetary integrity (accounting for resources obtained and resources spent),
- Operating performance (the cost of programs and the results achieved for the dollars spent),
- The government's stewardship over governmental assets such as land and heritage assets (improvement or deterioration in these assets over the reporting period), and
- Systems and controls (the presence of cost-effective systems and controls to adequately safeguard assets).

To meet these reporting objectives, the BLM is presenting the following financial reports in this Annual Report:

- Consolidated Balance Sheets: These statements report on the operating assets and liabilities related to the delivery of goods and services. They display the dollar value of unspent funds, assets (such as accounts receivable; inventory; investments; and property, plant, and equipment), and liabilities (such as accounts payable and various accrued liabilities).
- Consolidated Statements of Net Cost of Operations and the Consolidated Statements of Changes in Net Position: These statements report the costs of providing government goods, services, and benefits, and provide information on the changes in financial position from one year to the next. They contain the total cost of operations, revenue generated from operations, and appropriations (dollars) used to fund the net cost of operations.
- Combined Statements of Budgetary Resources and the Consolidated Statements of Financing: The Combined Statements of Budgetary Resources show the budgetary resources made available through appropriations and other sources, obligations incurred against those resources, and the dollar amount of cash outlays. The Consolidated Statements

of Financing explain and reconcile the relationship of budgetary obligations to the net cost of operations.

- Statements of Custodial Activity: These statements present custodial revenue for first-year rents and bonuses on lease agreements related to oil and gas, coal, and other leasable minerals.

- Supplementary Stewardship Report: This report displays the nature and condition (not dollar values) of stewardship assets. Stewardship assets are property entrusted to or owned by the Federal government for the long-term benefit of the Nation (such as public land). The government is charged with safeguarding and maintaining these assets. Valuation would be extremely difficult in most cases. Expenditures for stewardship assets are included as part of net cost on the Statements of Net Cost of Operations.

- Supplementary Report on Deferred Maintenance: This report displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment and for stewardship assets. Deferred maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

The BLM believes the financial statements are a fair and accurate presentation of its financial position, net cost of operations, changes in net position, and budgetary resources, as well as details regarding financing. This is reflected in the unqualified (clean) audit opinion rendered on the BLM's financial statements by its independent auditors. Sound financial management is a top priority for the BLM at all levels of the organization.

Limitations of the Financial Statements

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the financial statements have been prepared from the BLM's books and records in accordance with the guidance provided by the Office of Management and Budget, the financial statements may differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The financial statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation, and that payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Significant Financial Statement Events

The BLM was involved in financial transactions during the year that resulted in significant changes in various line items on the financial statements between FY 2004 and FY 2003:

- The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds go to the Southern Nevada Water Authority and 5 percent goes to the State of Nevada's Education Fund. The revenues generated from the

land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors. Each year, the revenue generated from these land sales has significantly increased. As of the end of FY 2003, the BLM maintained $336 million in investments related to SNPLMA land sales. During FY 2004, the Bureau collected almost $474 million in cash receipts related to land sales and interest revenue. These collections, less expenses within the fund, created a $793 million investment balance related to the SNPLMA at the end of FY 2004.

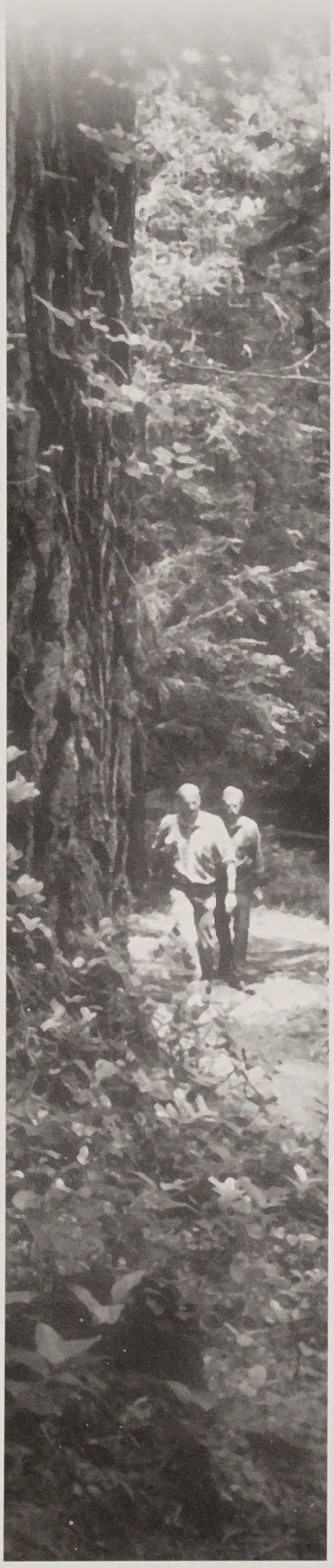
- The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. However, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence on the date of enactment. The sale of stockpiled crude helium began in March 2003 and will continue until January 1, 2015. These sales have significantly increased the BLM's helium operation's revenue. Prior to FY 2003, typical helium revenue was approximately $20 million in any given year. During both FY 2004 and FY 2003, helium revenue was approximately $90 million.

- Near the end of FY 2004, the BLM had a record coal lease sale, as well as other large oil and gas sales. The BLM receives bid deposits on these lease sales and records them as a liability while they await adjudication. Once the adjudication process is completed, the deposits are either refunded or combined with additional receipts, which represents custodial activity, and transferred to the Minerals Management Service. As a result of these large sales occurring near the end of the fiscal year, the BLM's deposit funds liability increased significantly from FY 2003 to FY 2004.

- The Department of the Interior's FY 2004 appropriation bill moved the Payments in Lieu of Taxes (PILT) program from the BLM to the Department of the Interior's Office of the Secretary (OS). Since the PILT program was new to the OS, and the BLM had extensive knowledge of the program, the OS entered into a reimbursable agreement with the BLM whereby the Bureau would make the FY 2004 PILT payments and subsequently be reimbursed by the OS. As a result of this agreement, the BLM recorded both revenue and expenses totaling $224 million.

The BLM's Net Position at the end of FY 2004 was $651 million, an increase of $501 million compared to FY 2003. The BLM's Net Position consists of two components: (1) Unexpended Appropriations of $461 million and (2) Cumulative Results of Operations of $190 million. The increase in BLM's overall Net Position can be attributed mostly to the SNPLMA land sales and helium sales, as noted above.

FINANCIAL STATEMENTS



Consolidated Balance Sheets as of September 30, 2004 and 2003 (dollars in thousands)

	2004	2003
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$1,252,381	$ 857,881
Investments, Net (Note 4)	829,445	370,316
Accounts Receivable (Note 5)	12,493	8,907
Other:		
Advances and Prepayments	1,090	1,498
Total Intragovernmental	2,095,409	1,238,602
Cash in Imprest Funds	55	55
Accounts Receivable, Net (Note 5)	20,691	14,936
Inventory and Related Property, Net (Note 6)	321,319	335,796
General Property, Plant, and Equipment, Net (Note 7)	355,621	332,762
Other:		
Travel Advances	131	136
Total Assets (Note 8)	$2,793,226	$1,922,287
Liabilities and Net Position:		
Liabilities (Note 9):		
Intragovernmental:		
Accounts Payable	$ 24,895	$ 13,741
Debt to Treasury (Note 10)	1,139,204	1,199,204
Other:		
Accrued Payroll and Benefits	2,780	2,318
Undistributed Collections	84,783	49,968
Deferred Revenue (Note 11)	16,221	17,131
Custodial Liability	73,376	–
Unfunded Payroll Liabilities (Note 12)	22,217	21,041
Due to Treasury Judgment Fund	12,224	12,224
Total Intragovernmental	1,375,700	1,315,627
Accounts Payable	31,436	43,333
Environmental Cleanup Liabilities (Note 13)	6,330	17,567
Federal Employees' Compensation Act Actuarial Liability	90,507	95,345
Other:		
Accrued Payroll and Benefits	24,953	23,444
Secure Rural Schools Act Payable	102,387	106,492
Deposit Funds (Note 14)	314,778	66,955
Deferred Revenue (Note 11)	136,390	48,340
Unfunded Annual Leave	56,260	55,009
Accrued Contingent Liabilities (Note 13)	3,650	650
Total Liabilities	2,142,391	1,772,762
Commitments and Contingencies (Notes 13 and 15)		
Net Position:		
Unexpended Appropriations	461,141	412,460
Cumulative Results of Operations	189,694	(262,935)
Net Position	650,835	149,525
Total Liabilities and Net Position	$2,793,226	$1,922,287

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Net Cost of Operations for the Fiscal Year Ended September 30, 2004 (dollars in thousands)

	2004
Resource Protection	
Gross Cost	$ 378,144
Earned Revenue	415,367
Net Cost	(37,223)
Resource Use	
Gross Cost	318,717
Earned Revenue	196,858
Net Cost	121,859
Recreation	
Gross Cost	130,651
Earned Revenue	21,963
Net Cost	108,688
Serving Communities	
Gross Cost	1,226,218
Earned Revenue	349,399
Net Cost	876,819
Total	
Gross Cost (Note 16)	2,053,730
Earned Revenue	983,587
Net Cost of Operations (Notes 17, 18)	$1,070,143

The accompanying notes are an integral part of these financial statements.

Bureau of Land Management Consolidated Statement of Net Cost of Operations for the Fiscal Year Ended September 30, 2003 (dollars in thousands)

	2003
Preserve Natural and Cultural Heritage Resources	
Gross Cost	$ 170,851
Earned Revenue	245,053
Net Cost	(74,202)
Understand the Condition of the Public Lands	
Gross Cost	195,338
Earned Revenue	2,634
Net Cost	192,704
Restore At-Risk Systems and Maintain Functioning Systems	
Gross Cost	241,230
Earned Revenue	10,528
Net Cost	230,702
Provide Opportunities for Environmentally Responsible Recreation	
Gross Cost	99,040
Earned Revenue	18,548
Net Cost	80,492
Provide Opportunities for Environmentally Responsible Commercial Activities	
Gross Cost	292,848
Earned Revenue	179,892
Net Cost	112,956
Reduce Threats to Public Health, Safety, and Property	
Gross Cost	556,582
Earned Revenue	47,951
Net Cost	508,631
Improve Land, Resource, and Title Information	
Gross Cost	104,140
Earned Revenue	14,375
Net Cost	89,765
Provide Economic and Technical Assistance	
Gross Cost	436,208
Earned Revenue	682
Net Cost	435,526
Totals	
Gross Cost (Note 16)	2,096,237
Earned Revenue	519,663
Net Cost of Operations (Note 17)	$1,576,574

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Fiscal Years Ended September 30, 2004 and 2003 (dollars in thousands)

	2004	2003
Unexpended Appropriations		
Balances, Beginning of Year	$ 412,460	$ 480,276
Change in PILT ownership (Note 18)	(660)	–
Balances, Beginning of Year, as Adjusted	411,800	480,276
Budgetary Financing Sources:		
Appropriations Received, General Funds	2,002,596	2,173,722
Appropriations Used	(1,505,149)	(1,811,313)
Appropriations Transferred Out, Net	(426,887)	(418,345)
Other Adjustments	(21,219)	(11,880)
Total Budgetary Financing Sources	49,341	(67,816)
Balances, End of Year	$ 461,141	$ 412,460
Cumulative Results of Operations		
Balances, Beginning of Year	$ (262,935)	$ (572,911)
Budgetary Financing Sources:		
Appropriations Used	1,505,149	1,811,313
Rent and Royalty Non-Exchange Revenue	16,215	75,927
Transfers Out Without Reimbursement, Net	(71,693)	(72,417)
Other Budgetary Financing Sources	191	5,063
Other Financing Sources:		
Imputed Financing From Costs Absorbed by Others (Note 19)	75,389	64,291
Transfers In/(Out) Without Reimbursement, Net	(2,479)	2,373
Total Financing Sources	1,522,772	1,886,550
Net Cost of Operations	(1,070,143)	(1,576,574)
Balances, End of Year	$ 189,694	$ (262,935)

The accompanying notes are an integral part of these financial statements.

Combined Statements of Budgetary Resources for the Fiscal Years Ended September 30, 2004 and 2003 (dollars in thousands)

	2004	2003
(Note 20)		
Budgetary Resources:		
Budget Authority:		
Appropriations Received	$2,764,526	$ 2,691,714
Net Transfers	(119,214)	(3,565)
Unobligated Balance:		
Beginning of Year	585,093	450,964
Change in PILT Ownership (Note 18)	(357)	–
Net Transfers, Actual	876	(20,366)
Spending Authority from Offsetting Collections:		
Earned:		
Collected	421,880	212,897
Receivable from Federal Sources	2,580	4,305
Change in Unfilled Customer Orders:		
Advance Received	(667)	(2,601)
Without Advance from Federal Sources	2,963	4,007
Subtotal: Spending Authority From Offsetting Collections	426,756	218,608
Recoveries of Prior Year Obligations	75,280	69,598
Permanently Not Available Pursuant to Public Law	(21,449)	(40,107)
Total Budgetary Resources	$ 3,711,511	$3,366,846
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$2,569,153	$ 2,721,085
Reimbursable	264,559	60,668
Total Obligations Incurred	2,833,712	2,781,753
Unobligated Balance Apportioned	877,780	584,726
Unobligated Balance Not Available	19	367
Total Status of Budgetary Resources	$ 3,711,511	$3,366,846
Relationship of Obligations to Outlays:		
Obligations Incurred	$2,833,712	$ 2,781,753
Obligated Balance, Net, Beginning of Year	703,552	685,823
Change in PILT Ownership (Note 18)	(298)	–
Obligated Balance, Net, End of Year:		
Accounts Receivable	19,723	17,143
Unfilled Customer Orders from Federal Sources	23,260	20,297
Undelivered Orders	(812,867)	(621,892)
Accounts Payable	(102,017)	(119,100)
Less: Spending Authority Adjustments	(80,823)	(77,910)
Outlays:		
Disbursements	2,584,242	2,686,114
Collections	(421,213)	(210,296)
Subtotal	2,163,029	2,475,818
Less: Offsetting Receipts	(801,330)	(550,084)
Net Outlays	$1,361,699	$ 1,925,734

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financing for the Fiscal Years Ended September 30, 2004 and 2003 (dollars in thousands)

	2004	2003
Resources Used to Finance Activites:		
Budgetary Resources Obligated:		
Obligations Incurred	$2,833,712	$2,781,753
Spending Authority from Offsetting Collections and Recoveries	(502,036)	(288,206)
Obligations Net of Offsetting Collections and Recoveries	2,331,676	2,493,547
Offsetting Receipts	(801,330)	(550,084)
Net Obligations	1,530,346	1,943,463
Other Resources:		
Transfers In/(Out) Without Reimbursement, Net	(2,479)	2,373
Imputed Financing From Costs Absorbed by Others (Note 19)	75,389	64,291
Net Other Resources Used to Finance Activities	72,910	66,664
Total Resources Used to Finance Activities	1,603,256	2,010,127
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods and Services Ordered But Not Yet Provided	(189,162)	(54,315)
Resources That Fund Expenses Recognized in Prior Periods	(60,112)	(82,258)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	105,880	116,287
Resources That Finance the Acquisition of Assets	(36,866)	(61,131)
Allocation Transfer Reconciling Item, Parent Account (Note 21)	(358,004)	(387,815)
Other Resources That Do Not Affect Net Cost of Operations	(4,725)	(32,229)
Total Resources Used to Finance Items Not part of the Net Cost of Operations	(542,989)	(501,461)
Total Resources Used to Finance the Net Cost of Operations	1,060,267	1,508,666
Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	1,251	5,972
Increase/(Decrease) in Environmental Cleanup Liability	(12,738)	12,144
Increase/(Decrease) in Other Unfunded Liabilities	(4,765)	20,889
Increase in Exchange Revenue Receivable from the Public	(4,872)	(4,176)
Total Components Requiring or Generating Resources in Future Periods	(21,124)	34,829
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	27,113	29,932
Allocation Transfer Reconciling Item, Recipient Account (Note 21)	2,774	2,342
Bad Debt Expense	1,113	805
Total Components Not Requiring or Generating Resources	31,000	33,079
Total Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Period	9,876	67,908
Net Cost of Operations	$1,070,143	$1,576,574

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Custodial Activity for the Fiscal Years Ended September 30, 2004 and 2003 (dollars in thousands)

	2004	2003
Mineral Lease Revenue		
Oil and Gas Rents and Bonuses	$109,668	$105,683
Other Mineral Lease Revenue	55,692	2,043
Total Custodial Revenue	$165,360	$ 107,726
Disposition of Custodial Revenue:		
Mineral Management Service (Note 14)	$ 91,984	$ 107,726
Change in Untransferred Revenue	73,376	–
Total Disposition of Revenue	$165,360	$ 107,726

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Bureau of Land Management (BLM or Bureau), a bureau of the Department of the Interior (DOI or Department), was established on July 16, 1946, through the consolidation of the General Land Office and the Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in the Federal Land Policy and Management Act of 1976 (P.L. 94-579).

On March 12, 1996, the Department's Helium Operations were transferred from the U.S. Bureau of Mines to the BLM. This was done under the authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The helium production fund was established by the Helium Act (50 U.S.C. 10), enacted March 3, 1925, and amended by the Helium Act Amendments of 1960 (P.L. 86-777).

In fulfilling its mission, the BLM administers a variety of funds:

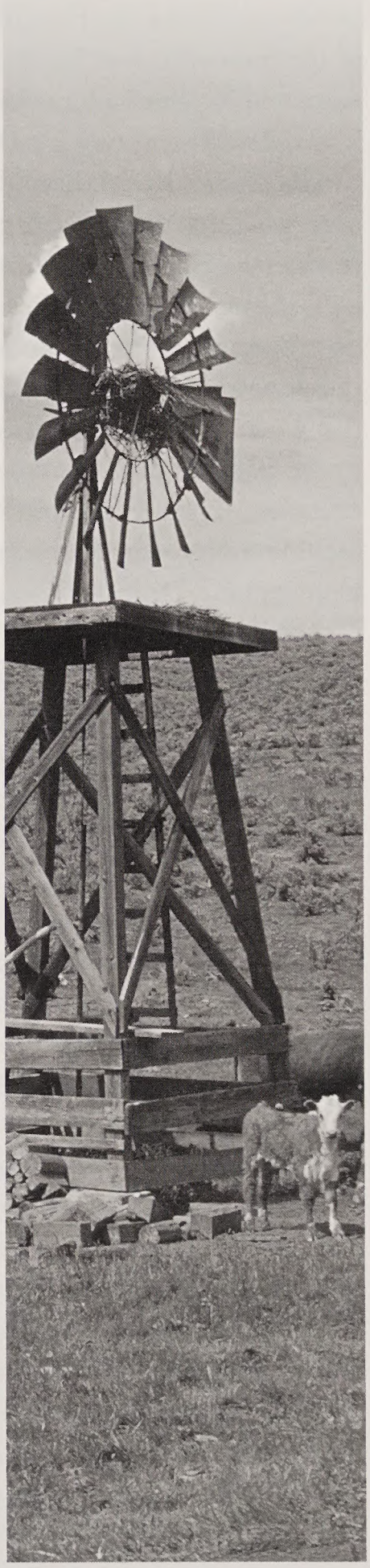
1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:

a. Management of Lands and Resources

b. Wildland Fire Management

c. Oregon and California Grant Lands

2. Special Funds: The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts are available receipts and are considered to be BLM's revenue. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.



3. Revolving Funds: This type of fund is used to finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under Section 306 of the Federal Land Policy and Management Act of 1976 (Public Law 94-579) with an initial investment of $2 million in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to the BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and change-making funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations are funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the Federal helium program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273). However, crude helium storage and sale of the helium stockpile will continue through January 1, 2015.

4. Trust Funds: The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-Federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trustee Fund receives money from the sale of town lots to non-natives and is available to cover the expenses involved in selling and maintaining town sites.

5. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to Note 14.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, and reconciliation of budgetary resources to net costs of the BLM, as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from BLM's financial records in accordance with accounting principles generally accepted in the United States of America (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB); the BLM accounting policies that are summarized in this note have also been followed. These financial statements include all funds and accounts under BLM's control, as well as allocations from other Federal agency appropriations transferred to the BLM under specific legislative authority.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

Intragovernmental assets and liabilities arise from transactions with other Federal agencies. Except for the Statements of Budgetary Resources and portions of the Statements of Financing, all statements are presented on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions. Significant intrabureau balances and transactions have been eliminated in consolidation.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources and legal authority to do so.

C. Revenues and Other Financing Sources

The BLM receives most of the funding needed to support its programs through appropriations authorized by Congress. The Bureau receives annual, multiyear, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM, and from the U.S. Department of the Treasury (Treasury) Judgment Fund for payment of any settlements resulting from litigation against the BLM.

Receipts are either available to the BLM for expenditure or are received by the BLM on behalf of others and then passed on to Treasury or distributed to other governmental agencies. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until subsequent fiscal years is included in undistributed collections.

Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, as amended by Public Law 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960." Paragraph 167a(4) authorizes the Secretary to "dispose of, by lease or sale, property, including wells, lands, or interest therein, not valuable for helium production, and oil, gas, and byproducts of helium operations not needed for Government use, except that property determined by the Secretary to be 'excess' within the meaning of section 3(e) of the Federal Property and Administrative Services Act of June 30, 1949, as amended (40 U.S.C. 471 et. seq.); and to issue leases to the surface of lands or structures thereon for grazing or other purposes when the same may be done without interfering with the production of helium;...." Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. However, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to this helium. The sale of stockpile crude helium began in March of 2003 and will continue until January 1, 2015.

The helium fund is authorized to retain all receipts, which include, but are not limited to, the sale of inventory, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source. Gains and losses are computed when assets are sold and are recorded as a financing source or use of finances, respectively.

D. Fund Balance with Treasury and Cash

The BLM's receipts and disbursements are processed by Treasury. Fund balance with Treasury includes appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other receipt and expenditure funds. Cash balances held outside of Treasury are imprest funds. No cash is held in commercial bank accounts. Further details on fund balance with Treasury are contained in Note 3.

E. Investments

The BLM is authorized to invest in special non-marketable par value and market-based book entry Treasury securities. These securities include U.S. Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in securities of the U.S. Treasury pursuant to authorizing legislation for three accounts: the proceeds of certain land sales as authorized by either the Southern Nevada Public Land Management Act enacted in October 1998, or the Lincoln County Land Act enacted in October 2000; and the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000. Note 4 provides investment details.

F. Accounts Receivable

Accounts receivable consist of amounts owed to the BLM by other Federal agencies and the public. Amounts due from the public are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies. See Note 5 for additional information concerning accounts receivable.

G. Inventory, Gas and Storage Rights, and Stockpile Materials

The helium stockpile inventory is stored in a partially depleted natural gas reservoir and is valued at cost. The cost to purchase the stockpile helium was $12.058 per mcf. The volume of helium is accounted for on a perpetual inventory basis. Each year, the

amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 25 psia, 95 percent of the stockpile is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and stockpile helium. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at cost.

The Working Capital Fund inventory consists of items that will be consumed in future operations. This inventory is held for use in BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. Inventory is stated at cost using the weighted average cost method.

Except for Helium Operations, which includes helium and natural gas, the BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 6 provides more information on the BLM's inventory and related property.

H. General Property, Plant, and Equipment

This category consists of land and land improvements; buildings; other structures and facilities; construction in progress; equipment and vehicles; and data processing software.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and SFFAS No. 8, *Supplementary Stewardship Reporting*, have been issued by the FASAB. These standards recommend different accounting treatments for different types of property, plant, and equipment (PP&E), and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land—all land held by the Federal government that is not acquired for or in connection with an item of general PP&E—and heritage assets, including PP&E that have historical or natural significance.

SFFAS No. 10, *Accounting for Internal Use Software*, has been issued by the FASAB. This standard provides accounting standards for internal use software utilized by each agency. Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and internally developed software using agency employees.

The standards provide for capitalized property to continue to be reported on the Balance Sheets. PP&E that are not capitalized—because they are under the capitalization threshold, or because they are stewardship PP&E—are expensed in the year of acquisition. The standards require a separate stewardship report to provide relevant information regarding stewardship PP&E. That report can be found following the section on Financial Statements.

Capitalized property and equipment are recorded as follows:

1. The Department of the Interior established a department-wide capitalization threshold effective October 1, 2004. As a result, general PP&E real property is capitalized at cost if the aggregate cost of the building, structure, or facility is $100,000 or more. Prior to FY 2004, the BLM's capitalization threshold was $250,000 for each administrative site. An administrative

site may contain more than one building, structure, or facility but is bound by a defined perimeter or an established boundary. The change in the capitalization threshold was applied prospectively and is deemed not to have a significant impact on the BLM's financial data.
Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration or other Federal agencies are not recognized as BLM assets.

2. Software is capitalized at cost if the acquisition cost is $100,000 or more and the estimated useful life is 2 years or more.

3. Equipment and vehicles are capitalized at cost if the acquisition cost is $15,000 or more ($10,000 or more prior to FY 2004) and the estimated useful life is 2 years or more.

4. Costs are accumulated in a construction-in-progress account for capitalizable general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).

   Depreciation for general PP&E real property is based on a useful life of 15 to 30 years for land improvements, 30 years for buildings, and 20 years for structures. The salvage value of general PP&E real property is zero.

   Depreciation for WCF vehicles and heavy equipment is recorded using the straight-line method, based upon useful lives ranging from 2 to 20 years and a 20 to 60 percent residual value.

   Depreciation for non-WCF equipment is based on useful lives of up to 20 years, with a residual value of 10 to 20 percent.

   Amortization for software is based on a useful life of 5 years, with a residual value of zero.

   The basis for capitalization of donated property and equipment is the estimated fair market value.

   Information on general property, plant, and equipment values is found in Note 7.

I. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified in these notes as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. See Note 9. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Accrued payroll and benefits represent salaries and benefits earned by employees but not yet paid at the close of the fiscal year. The portion of this liability representing accrued employer benefit and payroll tax expense payable to other governmental agencies is shown as an intragovernmental liability; the remainder is the amount owed to employees.

Undistributed collections are amounts held in unavailable special receipt funds at year end. Amounts collected into these funds, and reported as revenue, are subject to distribution based on formulas specified in

various authorizing pieces of legislation. The distributions occur at various times during the year or in subsequent years, in accordance with the terms of the legislation. The undistributed collections, which are principally due to Treasury, are considered a current liability.

Congress established the Department of the Treasury Judgment Fund, a permanent, indefinite appropriation, to pay certain judicially and administratively ordered monetary awards against the United States. The Judgment Fund may also pay amounts owed under compromise agreements negotiated by the Department of Justice in settlement of claims arising under actual or imminent litigation. The Judgment Fund bills agencies for amounts paid under the Contract Disputes Act, while it pays other amounts without expectation of reimbursement. The BLM records a liability for the former, and records an imputed cost and financing source for the latter. See Note 19 for further discussion of imputed amounts.

Debt to Treasury is a liability of the Helium Fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from the date the funds were borrowed and are now past due. The debt to Treasury is divided into two categories, net worth debt and additional borrowing from Treasury. Net worth debt was completely repaid in FY 2003 and the only remaining principal due to Treasury is the additional borrowing from Treasury.

Net worth debt is the amount due for the net capital and retained earnings of the Helium Fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925 (prior to amendment by the Helium Act Amendments of 1960), as determined by the Secretary of the Interior as of September 13, 1960, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act, 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury refers to funds borrowed under 50 U.S.C. 10, Section 167j, which authorizes borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on the helium debt that has not been repaid to Treasury is compounded. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. Since the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense has been incurred. The Act defines the amount repayable to the United States as all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.

Additional information on debt to Treasury appears in Note 10.

The Secure Rural Schools and Community Self Determination Act of 2000 was passed during FY 2001. The Act provides for increased payments to eligible States as compensation for the deprivation of revenue they would otherwise receive if BLM owned lands were held in private ownership. Prior to this Act, payments to eligible States were based on a percentage of revenue that the BLM earned on these lands, which has been steadily decreasing. The difference between the new, increased payments and the prior legislated payments is compensated for by an appropriation from the Treasury General Fund. The BLM records

an unfunded liability at each year-end for the amount to be appropriated in the following fiscal year for these payments.

J. Accrued Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used. An accrual is also provided for the amount which would be due under the Federal Insurance Contributions Act (FICA) related to this annual leave. See Note 12.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

K. Contingent Liabilities

The BLM is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when losses are determined to be probable, and a reasonable estimate of the scope of the potential liability is available. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is "probable" only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination. Thus, expected future payments for the cleanup of environmental hazards caused by others are government acknowledged, but are not recognized as liabilities by the BLM. Rather, any BLM payments related to these environmental hazards are recognized in the financial statements as remediation work is performed. Further information on contingent liabilities is found in Note 13.

L. Federal Employees' Compensation Act Actuarial Liabilities

Pursuant to OMB guidance, the presentation of Federal Employees' Compensation Act actuarial liabilities for workers' compensation benefits is a liability based on Department of Labor computations. This liability includes the expected future liability for death, disability, medical, and other approved costs relating to current compensation act claims.

M. Retirement Plan

The BLM's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement Systems (FERS), which became effective on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, the BLM contributes an amount equal to 1 percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. FERS employees can contribute 14 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of 9 percent of their gross earnings and receive no matching contributions from the BLM.

The Office of Personnel Management (OPM) is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities applicable to CSRS participants and FERS employees governmentwide. The BLM has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the BLM and covered CSRS employees. Further information on imputed financing is available in Note 19.

N. Net Position

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.

2. Cumulative results of operations is comprised of (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

O. Budgetary Collections and Offsetting Receipts

The BLM's offsetting receipts are collections that are credited to general funds or special funds and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure funds and offset outlays at the fund level, offsetting receipts are credited to receipt funds and offset outlays at the agency or governmentwide level. Offsetting receipts may be either distributed or undistributed to agencies. Distributed offsetting receipts offset the outlays of the BLM, while undistributed offsetting receipts offset governmentwide outlays.

P. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Entity and Non-Entity Assets

Entity assets are those that the BLM has the authority to use in its operations. Non-entity assets are currently held by, but not available to, the BLM and will be forwarded to Treasury, other Federal agencies, or the public at a future date.

September 30, 2004: (dollars in thousands)	**Entity**	**Non-Entity**	**Total**
Intragovernmental:			
Fund Balance with Treasury	$ 823,106	$429,275	$1,252,381
Investments, Net	793,821	35,624	829,445
Accounts Receivable	12,493	–	12,493
Other:			
Advances and Prepayments	1,090	–	1,090
Total Intragovernmental	1,630,510	464,899	2,095,409
Cash in Imprest Funds	55	–	55
Accounts Receivable, Net	12,658	8,033	20,691
Inventory and Related Property, Net	321,319	–	321,319
General Property, Plant, and Equipment, Net	355,621	–	355,621
Other:			
Travel Advances	131	–	131
Total Assets	$2,320,294	$472,932	$2,793,226

September 30, 2003: (dollars in thousands)	**Entity**	**Non-Entity**	**Total**
Intragovernmental:			
Fund Balance with Treasury	$ 776,744	$ 81,137	$ 857,881
Investments, Net	335,634	34,682	370,316
Accounts Receivable	8,907	–	8,907
Other:			
Advances and Prepayments	1,498	–	1,498
Total Intragovernmental	1,122,783	115,819	1,238,602
Cash in Imprest Funds	55	–	55
Accounts Receivable, Net	13,846	1,090	14,936
Inventory and Related Property, Net	335,796	–	335,796
General Property, Plant, and Equipment, Net	332,762	–	332,762
Other:			
Travel Advances	136	–	136
Total Assets	$1,805,378	$ 116,909	$1,922,287

Note 3 - Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent the BLM's right to draw on Treasury for valid expenditures. The amounts consist of general fund receipt accounts, general fund expenditure accounts, trust funds, revolving funds, special fund receipt accounts, special fund expenditure accounts, and deposit funds. Refer to Note 1(A). Fund balance as shown on the BLM's records is reconciled monthly with Treasury's records.

Obligated and unobligated balances reported for the Status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statements of Budgetary Resources because (1) the budgetary balances include amounts supported by other than Fund Balance with Treasury, such as investments and allocation transfers (transferring agency), and (2) the Fund Balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit funds, unavailable collections, and allocation transfers (receiving agency).

Fund Balances: (dollars in thousands)	2004	2003
General Funds	$582,001	$590,428
Deposit Funds	349,216	31,618
Special Funds	197,642	148,074
Revolving Funds	80,987	54,874
Trust Funds	24,665	20,719
Other Fund Types	17,870	12,168
Total	$1,252,381	$857,881

Status of Fund Balance with Treasury: (dollars in thousands)	2004	2003
Unobligated Balance:		
Available	$332,497	$333,841
Unavailable	426,041	80,938
Obligated Balance Not Yet Disbursed	493,843	443,102
Total	$1,252,381	$857,881

The amounts shown as Unobligated Balance - Unavailable represent year-end balances in special fund receipt accounts and deposit funds.

Additional discussion of fund balance with Treasury is presented in Note 1(D).

Note 4 – Investments, Net

Investments consist of U.S. Treasury Bills, maturing within one year, and U.S. Treasury Notes, maturing within two years. Amounts shown on the Balance Sheets are at cost, net of discounts and premiums amortized using the effective interest method. Additionally, accrued interest receivable is included in the net investment amount.

(dollars in thousands)	2004	2003
Cost	$826,076	$369,098
Amortized Premiums and Discounts, Net	2,620	1,218
Net Book Value	828,696	370,316
Accrued Interest	749	–
Investments, Net	$829,445	$370,316

The market value of investments was $828,465 as of September 30, 2004, and $370,400 as of September 30, 2003. Additional information regarding investments may be found in Note 1(E).

Note 5 - Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the BLM by other Federal agencies (intragovernmental), or by the public.

September 30, 2004: (dollars in thousands)	Intragovernmental	Public
Accounts Receivable, Billed		
Current	$ –	$ 5,426
Past Due Accounts:		
1-180 Days	–	1,742
181-365 Days	–	9,543
Over 1 Year	–	4,646
Allowance for Uncollectible Accounts	–	(2,358)
Net Accounts Receivable, Billed	–	18,999
Accounts Receivable, Unbilled	12,493	1,692
Total Accounts Receivable, Net	$12,493	$20,691

September 30, 2003: (dollars in thousands)	Intragovernmental	Public
Accounts Receivable, Billed:		
Current	$ –	$ 1,446
Past Due Accounts:		
1-180 Days	–	5,685
181-365 Days	–	956
Over 1 Year	–	1,351
Allowance for Uncollectible Accounts	–	(1,154)
Net Accounts Receivable, Billed	–	8,284
Accounts Receivable, Unbilled	8,907	6,652
Total Accounts Receivable, Net	$8,907	$14,936

See Note 1(F) for additional discussion regarding accounts receivable.

Note 6 - Inventory and Related Property, Net

(dollars in thousands)	2004	2003
Stockpile Materials: Recoverable Below-Ground Crude Helium	$319,820	$334,376
Gas and Storage Rights	1,055	1,070
Working Capital Fund Inventory	444	350
Total	$321,319	$335,796

Valuation methods and other information regarding inventories are presented in Note 1(G).

Note 7 - General Property, Plant, and Equipment, Net

September 30, 2004: (dollars in thousands)	Acquisition Value	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 89,855	$ (34,711)	$ 55,144
Buildings	158,777	(61,307)	97,470
Other Structures and Facilities	40,095	(27,076)	13,019
Construction in Progress	39,053	–	39,053
Equipment and Vehicles	257,735	(123,069)	134,666
Data Processing Software:			
In Use	11,179	(3,544)	7,635
In Development	8,634	–	8,634
Total	$605,328	$ (249,707)	$355,621

September 30, 2003: (dollars in thousands)	Acquisition Value	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 85,185	$ (32,162)	$ 53,023
Buildings	134,468	(58,668)	75,800
Other Structures and Facilities	37,443	(26,478)	10,965
Construction in Progress	30,914	–	30,914
Equipment and Vehicles	255,909	(118,936)	136,973
Data Processing Software:			
In Use	4,229	(3,147)	1,082
In Development	24,005	–	24,005
Total	$ 572,153	$(239,391)	$332,762

Capitalization criteria and other information regarding property, plant, and equipment are discussed in Note 1(H).

Note 8 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guarantee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not available to the BLM. At September 30, 2004, the value of these securities was $179 million; at September 30, 2003, the value was $256 million. Since these instruments are not held by the BLM nor available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM's assets or liabilities.

Note 9 - Liabilities Covered or Not Covered by Budgetary Resources

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined in the Balance Sheets presentation. Liabilities covered by budgetary resources are liabilities to be paid with existing appropriation authority. Liabilities not covered by budgetary resources represent those liabilities for which Congressional action is needed before budgetary resources can be provided. Current liabilities are expected to be liquidated during the subsequent fiscal year. Additional information regarding liabilities may be found in Note 1(I).

September 30, 2004: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	Total
Intragovernmental:					
Accounts Payable	$ 24,895	$ –	$ –	$ –	$ 24,895
Debt to Treasury	50,000	1,089,204	–	–	1,139,204
Other:					
Accrued Payroll and Benefits	2,780	–	–	–	2,780
Undistributed Collections	–	–	84,783	–	84,783
Deferred Revenue	16,221	–	–	–	16,221
Custodial Liabilities	–	–	73,376	–	73,376
Unfunded Payroll Liabilities	–	–	7,312	14,905	22,217
Due to Treasury Judgment Fund	–	–	–	12,224	12,224
Total Intragovernmental	93,896	1,089,204	165,471	27,129	1,375,700
Accounts Payable	31,436	–	–	–	31,436
Environmental Cleanup Liabilities	–	6,007	–	323	6,330
Federal Employees' Compensation Act Actuarial Liability	–	–	–	90,507	90,507
Other:					
Accrued Payrol and Benefits	24,953	–	–	–	24,953
Secure Rural Schools Act Payable	–	–	102,387	–	102,387
Deposit Funds	–	–	314,778	–	314,778
Deferred Revenue	136,390	–	–	–	136,390
Unfunded Annual Leave	–	–	–	56,260	56,260
Accrued Contingent Liabilities	–	–	–	3,650	3,650
Total Liabilities	$286,675	$1,095,211	$582,636	$177,869	$2,142,391

September 30, 2003: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	Total
Intragovernmental:					
Accounts Payable	$ 13,741	$ –	$ –	$ –	$ 13,741
Debt to Treasury	100,000	1,099,204	–	–	1,199,204
Other:					
Accrued Payroll and Benefits	2,318	–	–	–	2,318
Undistributed Collections	–	–	49,968	–	49,968
Deferred Revenue	17,131	–	–	–	17,131
Unfunded Payroll Liabilities	–	–	6,958	14,083	21,041
Due to Treasury Judgment Fund	–	–	–	12,224	12,224
Total Intragovernmental	133,190	1,099,204	56,926	26,307	1,315,627
Accounts Payable	43,333	–	–	–	43,333
Environmental Cleanup Liabilities	–	4,507	–	13,060	17,567
Federal Employees' Compensation Act Actuarial Liability	–	–	–	95,345	95,345
Other:					
Accrued Payroll and Benefits	23,444	–	–	–	23,444
Secure Rural Schools Act Payable	–	–	106,492	–	106,492
Deposit Funds	–	–	66,955	–	66,955
Deferred Revenue	48,340	–	–	–	48,340
Unfunded Annual Leave	–	–	–	55,009	55,009
Accrued Contingent Liabilities	–	–	–	650	650
Total Liabilities	$248,307	$1,103,711	$230,373	$190,371	$1,772,762

Note 10 - Debt to Treasury

The Helium fund's debt to Treasury is as follows:

(dollars in thousands)	2004	2003
Principal:		
Net Worth Debt:		
Balance, Beginning of Year	$ –	$ 27,991
Repayments	–	(27,991)
Balance, End of Year	–	–
Additional Borrowing from Treasury	251,650	251,650
Total Principal	251,650	251,650
Interest:		
Balance, Beginning of Year	947,554	1,029,563
Repayments	(60,000)	(82,009)
Balance, End of Year	887,554	947,554
Total Debt to Treasury	$1,139,204	$1,199,204

The sale of stockpile crude helium began in March 2003 and will continue until January 1, 2015. These sales have significantly increased the BLM's helium fund revenue. Given this increased revenue, the BLM is planning to repay at least $50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease, in which case the repayment plan would be revised.

Refer to Note 1(I) for a description of net worth debt, additional borrowing from Treasury, and interest.

Note 11 - Deferred Revenue

Intragovernmental deferred revenue consists principally of unspent Fire Science Project funds remaining at the end of the year. In accordance with the Economy Act, the BLM and the Forest Service established inter-agency agreements to administer the Joint Fire Service Program, which provides funding primarily for fire-related research to improve fuel management and fire prevention. The BLM is the primary administrator of this program, and receives monies in advance from the Forest Service to carry out the program needs. These funds are classified as a liability until expensed.

Non-intragovernmental deferred revenue consists primarily of deposits received from prospective purchasers of land pursuant to the Southern Nevada Public Land Management Act. These deposits are classified as a liability until the sales are consummated.

(dollars in thousands)	2004	2003
Intragovernmental:		
Unspent Fire Science Project Funds	$ 11,753	$ 11,776
Other	4,468	5,355
Total	$ 16,221	$ 17,131
Southern Nevada Land Sale Deposits	$136,050	$46,385
Other	340	1,955
Total	$136,390	$48,340

Note 12 - Intragovernmental Unfunded Payroll Liabilities

Liabilities for workers' compensation and unemployment compensation are amounts which will be paid to the Department of Labor, when billed, through the Department of the Interior's Office of the Secretary. An accrual is also provided for the amount which would be due under the Federal Insurance Contributions Act (FICA) related to unfunded annual leave. See Note 1(J).

(dollars in thousands)	2004	2003
Workers' Compensation Payable	$18,279	$17,395
Unemployment Compensation Payable	1,131	970
Accrued FICA on Unfunded Annual Leave	2,807	2,676
Total	$22,217	$21,041

Note 13 – Environmental Cleanup Liabilities and Other Accrued Contingent Liabilities

Environmental Cleanup. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, and the Resource Conservation and Recovery Act require Federal agencies to identify sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties external to the BLM.

The BLM typically has a number of time-critical removal actions in progress as of the end of the fiscal year that will require future funding. This type of action is usually mitigated using only a preliminary engineering study and, generally, no viable responsible party is found, which results in the BLM bearing the expense.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are completed. Several cleanup options are generally suggested, along with the approximate range of cost of each, and the BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of the studies and cleanup. Litigation or enforcement is usually required to obtain payment or cleanup from potentially responsible parties.

The BLM has recognized an estimated liability of $6.3 and $17.6 million for FY 2004 and FY 2003, respectively, for sites where the BLM either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable. These estimates include the expected future cleanup costs, and for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts, and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are $9.4 and $20.3 million for FY 2004 and FY 2003, respectively.

In addition to the limited number of cases discussed above where the BLM may be involved, other hazardous conditions exist on public lands for which the BLM might fund cleanup. Those cases where the BLM has at least a reasonable possibility of incurring a liability, but where the liability does not meet the criteria to be recognized, range from $46.9 million to $82.4 million for FY 2004 and $19.8 million to $66.6 million for FY 2003.

Judgments and Claims. The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues; injuries or

death that occur on BLM-managed land or roads; issues regarding takings and suspension of mining claims; and other issues. In the opinion of the BLM's management and legal counsel, a reasonable estimate of the potential outcome or liability of most of these claims cannot be made. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements.

At the end of FY 2004, seven cases which were probable had reasonably estimable liabilities of $3.7 million; at the end of FY 2003 there were four cases totaling $650,000. These liabilities have been accrued in the accompanying financial statements as of September 30, 2004 and September 30, 2003.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts, and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are $4.7 and $650,000 for FY 2004 and FY 2003, respectively.

In addition to these probable cases, at the end of FY 2004 there were 22 other cases where the likelihood of an outcome unfavorable to the BLM was reasonably possible. Of these 22 cases, those with reasonably estimable liabilities ranged from $27.6 million to $959.4 million. At the end of FY 2003 there were 15 such cases ranging from $2.6 million to $3.4 million.

Additional discussion of contingent liabilities is presented in Note 1(K).

Note 14 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. These collections include mining claim fees, natural resource sales, and various other fees and payments. These amounts are held as deposits pending adjudication, resolution, or further classification. Deposit funds are considered a current liability.

Coal and Other Leasable Minerals, as well as *Oil and Gas Leases,* consist primarily of lease deposits awaiting adjudication, but also include lease security deposits. *Alaska Mineral Leases* consist of money for the Kuukpik Village Corporation and interest on the investment of those funds. *Mining and Other Mineral Materials* include locatable minerals, leasable minerals, coal, and various leasing fees. *Lands and Realty Management* includes, but is not limited to, land sales, leases, timber sales, and vegetative material sales. *Other* includes overpayments waiting for refund, declining deposit accounts, recreation, geothermal leases, and all other miscellaneous categories.

On behalf of the Mineral Management Service (MMS), the BLM collects first year rent and bonus deposits on lease agreements related to oil and gas, coal, and other leasable minerals. The BLM also collects lease security deposits related to this activity. These deposits are not recorded as revenue, but as a liability. Once the adjudication process is completed, the deposits are either refunded or combined with additional receipts, representing custodial activity, and transferred to the MMS. During FY 2004, the BLM received $446.4 million in deposits and additional receipts, refunded $48.8, and transferred $92.0 million to MMS upon adjudication. Additionally, $73.4 million was reclassified from Deposit Funds to a Custodial Liability for amounts that were adjudicated but not yet transferred to the MMS. During FY 2003, the BLM collected $42.9 million, refunded $1.1 million, and transferred $107.7 million to MMS upon adjudication. Lease security deposits are generally returned to the lessor upon the expiration of a lease. However, in certain circumstances, particularly if contamination cleanup is necessary, the BLM

will keep a portion of the security deposit and record it as revenue.

(dollars in thousands)	2004	2003
Coal and Other Leasable Minerals	$124,898	$ 1,828
Oil and Gas Leases	122,458	13,314
Alaska Mineral Lease	35,625	34,681
Mining and Other Mineral Materials	25,156	8,809
Lands and Realty Management	6,378	8,144
Other	263	179
Total	$314,778	$66,955

Note 15 - Leases

The BLM has operating leases for various types of space acquired through the General Services Administration (GSA) and directly from commercial sources, as well as operating leases for vehicles and miscellaneous equipment.

GSA charges rent that is intended to approximate commercial rental rates. For federally owned property, the Bureau generally does not execute an agreement with GSA, nor is there a formal expiration date. These leases typically have terms up to 20 years, and most contain provisions for cancellation prior to the full term of the lease. GSA space leases are cancelable with 120 days notice. The Bureau is normally required to give notice to vacate, and the amount of these leases remains constant from year to year.

For non-federally owned property, an occupancy agreement is executed, and again the Bureau may normally cancel these agreements with 120 days notice.

Both the *GSA Real Property* and *Other Real Property* amounts for 2005 are based on the actual annual rent for all property within these categories. For 2006 and subsequent years, the amounts are inflated each year at 3 percent over the previous year. As leases expire, they are not included in the following years' calculations.

Government vehicle and equipment rentals are included in personal property. Government vehicles are leased from GSA for indefinite periods of time, frequently exceeding one year. The *Personal Property* amount for 2005 is based on a 3 percent increase over the actual personal property expense amount for 2004. For 2006 through 2009, the amount is inflated at 3 percent over the previous year. The After 5 Years amounts are indeterminable through this process.

The aggregate of the Bureau's estimated real property rent payments to GSA for FY 2005 through FY 2009 and future years and the Bureau's future payments due to other parties under noncancellable operating leases for real property and personal property is as follows:

Fiscal Year Ending September 30: (dollars in thousands)	GSA Real Property	Other Real Property	Personal Property	Total
2005	$ 20,078	$ 19,206	$ 15,880	$ 55,164
2006	19,614	17,433	16,355	53,402
2007	16,982	16,105	16,846	49,933
2008	17,425	12,919	17,351	47,695
2009	17,463	12,552	17,872	47,887
After 5 Years	44,560	84,455	–	129,015
Total Future Lease Payments	$136,122	$162,670	$84,304	$383,096

Note 16 - Gross Cost

Gross cost as reported in the Statements of Net Cost is detailed as follows:

(dollars in thousands)	2004	2003
Personnel Services and Benefits	$ 919,816	$ 901,345
Contractual Services	609,031	387,026
Contributions to States	206,489	434,070
Supplies, Materials, and Nondepreciable Assets	119,074	108,968
Rental, Communication, and Utilities	69,932	71,288
Travel and Transportation	62,617	66,522
Depreciation	28,484	30,390
Acquisition of Stewardship Land	22,508	37,876
Cost of Goods Sold	14,572	18,577
Settlement of Claims	7,553	3,766
Printing and Reproduction	3,302	3,147
Acquisition of Heritage Assets	1,418	1,590
Bad Debt Expense	1,001	555
(Gain)/Loss on Disposition of Assets, Net	50	(213)
Interest Expense	31	41
Change in Unfunded Liabilities:		
Legal Claims	3,000	300
Unfunded Annual Leave	1,251	5,972
Workers' and Unemployment Compensation	1,046	745
FICA on Unfunded Annual Leave	131	383
Federal Employees' Compensation Act Actuarial Liability	(4,838)	11,745
Environmental Cleanup	(12,738)	12,144
Total Gross Cost	$2,053,730	$2,096,237

Note 17 - Net Cost of Operations by Responsibility Segment

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. This standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

In FY 1998, the BLM selected Activity Based Costing (ABC) as the agency's methodology to accumulate cost data for effective management use and to assign costs to outputs. The accumulated cost data is aggregated by program activity to reflect the BLM's Government Performance and Results Act (GPRA) performance goals.

GPRA requires that Federal agencies formulate Strategic Plans, identify major strategic goals, and report performance measures and costs related to these goals. Under GPRA, Strategic Plans are to be revised and updated every three years. Accordingly, the BLM, in conjunction with the Department of the Interior, updated its Strategic Plan (referred to as an Operating Plan at the bureau level) in FY 2004 and replaced the eight BLM GPRA Goals applicable in FY 2003 with four Department GPRA Mission Areas.

GPRA also requires that Federal agencies report costs for the goals identified in the

Strategic Plan. Accordingly, the BLM presented its earned revenues and gross costs for FY 2004 by the Mission Areas in the FY 2004 Strategic Plan and its earned revenues and gross costs for FY 2003 by the GPRA Goals in the FY 2001 Strategic Plan. As a result, the FY 2004 Consolidated Statement of Net Cost cannot be compared directly to the FY 2003 Consolidated Statement of Net Cost.

The FY 2003 Consolidated Statement of Net Cost of Operations is presented using the following eight GPRA program activities:

Preserve Natural and Cultural Heritage Resources - The BLM will preserve and protect natural, historical, landscape, and cultural resource values for current and future generations.

Understand the Condition of the Public Lands - The BLM will comprehensively assess and report the condition of the lands it manages and ensure the adequacy of land use plans.

Restore At-Risk Systems and Maintain Functioning Systems - The BLM will implement strategies to restore priority watersheds and resources to functioning condition and to support the continual existence/liability of "sensitive" species and species listed under The Endangered Species Act.

Provide Opportunities for Environmentally Responsible Recreation - The BLM will provide the public with diverse opportunities to recreate on the public lands while maintaining its lands and facilities in good environmental condition.

Provide Opportunities for Environmentally Responsible Commercial Activities - The BLM will provide commercial opportunities for use of the public lands while maintaining or improving environmental conditions.

Reduce Threats to Public Health, Safety, and Property - The BLM will ensure that the public lands and facilities are safe for the public and Bureau employees.

Improve Land, Resource, and Title Information - The BLM will provide the public with improved information about the land, public land resources, and land records.

Provide Economic and Technical Assistance - The BLM will meet its trust responsibilities and provide economic and other assistance to local, state, and tribal governments, as well as Alaskan Natives.

The FY 2004 Consolidated Statement of Net Cost of Operations is presented using the following four Departmental GPRA Mission Areas:

Resource Protection – Protect the Nation's natural, cultural, and heritage resources.

Resource Use – Manage resources to promote responsible use and sustain a dynamic economy.

Recreation – Provide recreation opportunities for America.

Serving Communities – Safeguard lives, property, and assets, advance scientific knowledge, and improve the quality of life for communities we serve.

In both FY 2004 and FY 2003, direct costs are reported under the appropriate GPRA program activity, while administrative costs and various indirect costs are allocated to program activities in a manner appropriate for each type of cost.

The tables on the following pages present the BLM's net cost of operations by responsibility segment and GPRA Mission Area.

(dollars in thousands)	Resource Protection
Public Land Management	
Gross Cost with the Public	$364,747
Earned Revenue from the Public	402,509
Net Cost with the Public	(37,762)
Gross Cost of Intragovernmental Sales	13,541
Intragovernmental Earned Revenue	13,032
Intragovernmental Net Cost	509
Total Net Cost	(37,253)
Construction, Cleanup, and Land Acquisition	
Gross Cost with the Public	30
Earned Revenue from the Public	–
Net Cost with the Public	30
Gross Cost of Intragovernmental Sales	–
Intragovernmental Earned Revenue	–
Intragovernmental Net Cost	–
Total Net Cost	30
Helium and Working Capital	
Gross Cost with the Public	–
Earned Revenue from the Public	–
Net Cost with the Public	–
Gross Cost of Intragovernmental Sales	–
Intragovernmental Earned Revenue	–
Intragovernmental Net Cost	–
Total Net Cost	–
Payments to Entitled States and Organizations	
Gross Cost with the Public	–
Earned Revenue from the Public	–
Net Cost with the Public	–
Gross Cost of Intragovernmental Sales	–
Intragovernmental Earned Revenue	–
Intragovernmental Net Cost	–
Total Net Cost	–
Elimination of Intra-Bureau Activity	
Gross Cost with the Public	–
Earned Revenue from the Public	–
Net Cost with the Public	–
Gross Cost of Intragovernmental Sales	(174)
Intragovernmental Earned Revenue	(174)
Intragovernmental Net Cost	–
Total Net Cost	–
Totals	
Gross Cost with the Public	364,777
Earned Revenue from the Public	402,509
Net Cost with the Public	(37,732)
Gross Cost of Intragovernmental Sales	13,367
Intragovernmental Earned Revenue	12,858
Intragovernmental Net Cost	509
Total Net Cost	$ (37,223)

Resource Use	Recreation	Serving Communities	FY 2004
$283,892	$ 127,910	$772,702	$1,549,251
98,855	21,151	36,493	559,008
185,037	106,759	736,209	990,243
1,672	2,024	264,055	281,292
1,587	1,941	256,223	272,783
85	83	7,832	8,509
185,122	106,842	744,041	998,752
–	1,846	27,382	29,258
–	–	701	701
–	1,846	26,681	28,557
–	–	–	–
–	–	–	–
–	–	–	–
–	1,846	26,681	28,557
33,153	–	–	33,153
96,416	–	–	96,416
(63,263)	–	–	(63,263)
–	–	24,568	24,568
–	–	29,604	29,604
–	–	(5,036)	(5,036)
(63,263)	–	(5,036)	(68,299)
–	–	166,857	166,857
–	–	55,724	55,724
–	–	111,133	111,133
–	–	–	–
–	–	–	–
–	–	–	–
–	–	111,133	111,133
–	–	–	–
–	–	–	–
–	–	–	–
–	(1,129)	(29,346)	(30,649)
–	(1,129)	(29,346)	(30,649)
–	–	–	–
–	–	–	–
317,045	129,756	966,941	1,778,519
195,271	21,151	92,918	711,849
121,774	108,605	874,023	1,066,670
1,672	895	259,277	275,211
1,587	812	256,481	271,738
85	83	2,796	3,473
$ 121,859	$108,688	$876,819	$ 1,070,143

(dollars in thousands)	Preserve Natural and Cultural Heritage Resources	Understand the Condition of the Public Lands	Restore At–Risk Systems and Maintain Functioning Systems
Public Land Management			
Gross Cost with the Public	$130,579	$192,591	$238,748
Earned Revenue from the Public	239,845	–	8,259
Net Cost with the Public	(109,266)	192,591	230,489
Gross Cost of Intragovernmental Sales	7,574	2,747	2,345
Intragovernmental Earned Revenue	7,373	2,634	2,269
Intragovernmental Net Cost	201	113	76
Total Net Cost	(109,065)	192,704	230,565
Construction, Cleanup, and Land Acquisition			
Gross Cost with the Public	29,860	–	137
Earned Revenue from the Public	–	–	–
Net Cost with the Public	29,860	–	137
Gross Cost of Intragovernmental Sales	–	–	–
Intragovernmental Earned Revenue	–	–	–
Intragovernmental Net Cost	–	–	–
Total Net Cost	29,860	–	137
Helium and Working Capital			
Gross Cost with the Public	–	–	–
Earned Revenue from the Public	–	–	–
Net Cost with the Public	–	–	–
Gross Cost of Intragovernmental Sales	–	–	–
Intragovernmental Earned Revenue	–	–	–
Intragovernmental Net Cost	–	–	–
Total Net Cost	–	–	–
Payments to Entitled States and Organizations			
Gross Cost with the Public	5,003	–	–
Earned Revenue from the Public	–	–	–
Net Cost with the Public	5,003	–	–
Gross Cost of Intragovernmental Sales	–	–	–
Intragovernmental Earned Revenue	–	–	–
Intragovernmental Net Cost	–	–	–
Total Net Cost	5,003	–	–
Elimination of Intra—Bureau Activity			
Gross Cost with the Public	–	–	–
Earned Revenue from the Public	–	–	–
Net Cost with the Public	–	–	–
Gross Cost of Intragovernmental Sales	(2,165)	–	–
Intragovernmental Earned Revenue	(2,165)	–	–
Intragovernmental Net Cost	–	–	–
Total Net Cost	–	–	–
Totals			
Gross Cost with the Public	165,442	192,591	238,885
Earned Revenue from the Public	239,845	–	8,259
Net Cost with the Public	(74,403)	192,591	230,626
Gross Cost of Intragovernmental Sales	5,409	2,747	2,345
Intragovernmental Earned Revenue	5,208	2,634	2,269
Intragovernmental Net Cost	201	113	76
Total Net Cost	$(74,202)	$192,704	$230,702

Provide Opportunities for Environmentally Responsible Recreation	Provide Opportunities for Environmentally Responsible Commercial Activities	Reduce Threats to Public Health, Safety, and Property	Improve Land, Resource, and Title Information	Provide Economic and Technical Assistance	FY 2003
$95,955	$254,448	$525,325	$89,615	$ 68,175	$1,595,436
17,581	89,586	23,037	481	67	378,856
78,374	164,862	502,288	89,134	68,108	1,216,580
1,735	1,964	23,884	14,465	629	55,343
1,668	1,865	23,192	13,894	615	53,510
67	99	692	571	14	1,833
78,441	164,961	502,980	89,705	68,122	1,218,413
2,051	–	12,746	60	19	44,873
–	–	1,368	–	–	1,368
2,051	–	11,378	60	19	43,505
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
2,051	–	11,378	60	19	43,505
–	36,436	–	–	–	36,436
–	88,441	–	–	–	88,441
–	(52,005)	–	–	–	(52,005)
–	–	21,565	–	–	21,565
–	–	27,292	–	–	27,292
–	–	(5,727)	–	–	(5,727)
–	(52,005)	(5,727)	–	–	(57,732)
–	–	–	–	367,385	372,388
–	–	–	–	–	–
–	–	–	–	367,385	372,388
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	367,385	372,388
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
(701)	–	(26,938)	–	–	(29,804)
(701)	–	(26,938)	–	–	(29,804)
–	–	–	–	–	–
–	–	–	–	–	–
98,006	290,884	538,071	89,675	435,579	2,049,133
17,581	178,027	24,405	481	67	468,665
80,425	112,857	513,666	89,194	435,512	1,580,468
1,034	1,964	18,511	14,465	629	47,104
967	1,865	23,546	13,894	615	50,998
67	99	(5,035)	571	14	(3,894)
$80,492	$ 112,956	$508,631	$89,765	$435,526	$1,576,574

Note 18 – Change in PILT Ownership

The Department of the Interior's FY 2004 appropriation bill moved the Payments in Lieu of Taxes (PILT) program from the BLM to the Department of the Interior's Office of the Secretary (OS), effective beginning October 1, 2004. As a result, the BLM removed all financial records related to PILT from its accounting system, including FY 2004 beginning balances. Conversely, the Office of the Secretary placed these records into their accounting system and began accounting for all PILT transactions beginning October 1, 2004.

Since the PILT program was new to the OS, and the BLM had extensive knowledge of the program, the OS entered into a reimbursable agreement with the BLM whereby the BLM would make the FY 2004 PILT payments and subsequently be reimbursed by the OS. As a result of this agreement the BLM recorded both revenue and expenses totaling $224 million, all within the Serving Communities GPRA segment.

Note 19 - Imputed Financing from Costs Absorbed by Others

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, establishes accounting and reporting standards for liabilities relating to the Federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these benefits.

Under the provisions of SFFAS No. 5, employer agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service. Agencies must also recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal Employee Group Life Insurance (FEGLI) program.

OPM actuaries have provided the employer agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FEGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While the BLM's funds are not used to pay the cost of these personnel benefits, these are a BLM operating expense that must be reported to accurately reflect the cost of doing business. The use of OPM funds for this purpose is an imputed source of financing for the BLM.

The Department of the Treasury Judgment Fund is another imputed source of financing. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff, either as a result of settlement or adjudication, payment is actually made from the Judgment Fund rather than the BLM's appropriations. Treasury provides agencies with information regarding the month and amount of payments actually made, at which time the BLM recognizes the imputed financing source and cost.

(dollars in thousands)	2004	2003
Imputed Financing from OPM:		
Pension Costs	$ 27,447	$ 26,118
Health Benefit and Life Insurance Costs	40,975	34,652
	68,422	60,770
Imputed Financing from Treasury Department's Judgment Fund	6,967	3,521
Total Imputed Financing From Costs Absorbed by Others	$75,389	$64,291

Note 20 - Combined Statements of Budgetary Resources

Apportionment Categories of Obligations Incurred

All of the BLM's FY 2004 and FY 2003 funds were appropriated under Category B and were subject to annual apportionment by OMB.

Permanent Indefinite Appropriations

Permanent indefinite appropriations refer to appropriations that come from permanent public laws, which authorize the BLM to retain certain receipts. These funds do not require annual appropriation action by Congress, as they are subject to the authorities of permanent public law, and are available until expended. As of September 30, 2004, the Bureau had 23 permanent indefinite appropriations, which are primarily used for special programs and projects. Some examples include the Southern Nevada Public Land Management Act, Federal Land Transaction Facilitation Act, Recreation Fee Demonstration Program, and Timber Pipeline Restoration fund.

Appropriations Received

Appropriations Received on the Consolidated Statements of Changes in Net Position differs from that reported on the Combined Statements of Budgetary Resources because Appropriations Received on the Consolidated Statements of Changes in Net Position does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

The BLM's FY 2004 operating programs were financed, and its financial activity summarized, under 68 distinct Treasury fund symbols. All of the Bureau's funding needs are authorized in a number of appropriation laws, which are a combination of current and permanent authority. Current authority includes funding that is legislatively re-authorized each fiscal year, while permanent authority is issued once and remains in effect in future fiscal years until revised or rescinded. Most of the BLM's 68 Treasury funds are classified as no-year, which signifies that the Bureau may utilize its fiscal year-end unobligated resources to execute its operating programs in subsequent fiscal years.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing its programs. For example, Public Law 108-108, the appropriation law that was the major source of funding for the BLM's operating programs in FY 2004, directs that a definite sum of the Bureau's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how the Bureau must treat other assets it may acquire as a result of executing its operating programs. As an example, a specific authorization in Public Law 108-108 that refers to the Bureau's Central HAZMAT fund directs that monies collected from a party for remedial action may be recorded as a reimbursement to its appropriation. Since both specific and general authorizations are integral components of all legislation, the BLM does not view them as restrictions or legal encumbrances on its available funding.

Differences between Amounts Reported in the Statements of Budgetary Resources and Amounts Reported in the Budget of the U.S. Government

The Combined Statements of Budgetary Resources have been prepared to coincide with the amounts shown in the President's Budget (Budget of the Unites States Government). The actual amounts for FY 2004 in the President's Budget have not been published at the time these financial statements were prepared. The President's Budget with the actual FY 2003 amounts was released in February 2004 and the FY 2004 amounts are estimated to be released in February 2005. The President's Budget can be located at the OMB website (http://www.whitehouse.gov/omb).

The BLM has a shared appropriation with the Minerals Management Service (MMS). While the appropriation is considered shared, the BLM and the MMS both collect revenue and disburse payments separate from each other, and do not transfer any funds between one another. The BLM collects revenue and disburses payments to states for timber sales, while the MMS collects revenue and disburses payments to states for mineral leasing activity. The MMS reports both its and the BLM's activity under this appropriation in the Budget of the U.S. Government, while the BLM reports its portion of activity on its financial statements. During both FY 2004 and FY 2003, the BLM reported $1.1 million of budgetary resources in this appropriation.

Note 21 - Allocation Transfer Accounts

Allocation transfers are the amounts of budget authority and other resources transferred to other agencies or bureaus to carry out the purposes of the parent account. The BLM is both a parent agency and a recipient of allocation transfers.

OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, requires parent accounts to report their allocation agency's transactions as part of their Statements of Budgetary Resources, while the recipient of allocation transfers reports the proprietary activity on its Balance Sheets, Statements of Net Cost of Operations, and Statements of Changes in Net Position. This process creates a reconciling difference on the Statements of Financing.

The BLM is the parent agency for the Wildland Fire Management Account and the Central Hazardous Material Fund. In FY 2004, the BLM transferred $453.0 million from the Wildland Fire Management Account to the Office of the Secretary, U.S. Fish and Wildlife Service, National Park Service, and Bureau of Indian Affairs. The BLM also transferred $10.5 million from the Central Hazardous Material Fund to the Office of the Secretary, U.S. Fish and Wildlife Service, National Park Service, Bureau of Indian Affairs, Bureau of Reclamation, and U.S. Geological Survey. During FY 2003, the BLM transferred $418.9 million and $10.4 million, respectively.

The BLM is an allocation transfer recipient of Natural Resources Damage Assessment and Restoration (NRDA) funds from the Office of the Secretary and received $958,150 in FY 2004. The BLM also received $920,000 of Highway Trust funds from the Federal Highway Administration during FY 2004. Additionally, the BLM is an allocation transfer recipient of State and Private Forestry funds, as well as National Forest System funds, from the U.S. Forest Service and received $2.6 million during FY 2004. During FY 2003, the BLM received $614,000 of NRDA funds, $1.3 million of Highway Trust funds, and nothing from the U.S. Forest Service.

The recipient of allocation transfers is not generally required to obligate or spend those funds in the year of transfer and in many cases uses a portion of that funding in subsequent

years. As a result, the reconciling items created on the Statements of Financing are not generated solely by the current year transfers, but also consist of current year activity related to prior year transfers.

(dollars in thousands)	2004	2003
Parent Accounts:		
Current Year Transfers	$463,523	$429,278
Prior Year Transfers Affecting Current Year Activity	(105,519)	(41,463)
Allocation Transfer Reconciling Item	$358,004	$ 387,815
Recipient Account:		
Current Year Transfers	$ 4,499	$ 1,934
Prior Year Transfers Affecting Current Year Activity	(1,725)	408
Allocation Transfer Reconciling Item	$ 2,774	$ 2,342

Note 22 – Dedicated Collections

The BLM has collection activity related to the Southern Nevada Public Land Management Act that resembles dedicated collections and due to the significant dollars involved, discloses dedicated collection activity related to these receipts.

The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are forwarded to the Southern Nevada Water Authority and 5 percent is given to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

(dollars in thousands)	2004	2003
Assets:		
Fund Balance with Treasury	$ 841	$ 465
Investments, Net	793,693	335,508
Advances and Prepayments	–	176
General Property, Plant, and Equipment, Net	675	18
Total Assets	$795,209	$336,167
Liabilities:		
Accounts Payable	$ 7,532	$ 6,527
Accrued Payroll and Benefits	158	64
Deferred Revenue	136,049	46,386
Total Liabilities	143,739	52,977
Total Net Position	651,470	283,190
Total Liabilities and Net Position	$795,209	$336,167
Net Position, Beginning of Year	$283,190	$123,262
Change in Net Position:		
Transfers Out Without Reimbursement, Net	(100)	(20,201)
Imputed Financing From Costs Absorbed by Others	395	284
Exchange Revenue	447,507	241,831
Program Expenses	(79,522)	(61,986)
Net Position, End of Year	$651,470	$283,190

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2004

(dollars in thousands)	Wildland Fire Management	Management of Land and Resources
Budgetary Resources:		
Budget Authority:		
Appropriations Received	$ 892,725	$ 865,743
Net Transfers	(126,625)	15
Unobligated Balance:		
Beginning of Year	101,691	36,763
Change in PILT Ownership	–	–
Net Transfers, Actual	–	–
Spending Authority From Offsetting Collections:		
Earned		
Collected	16,499	274,026
Receivable From Federal Sources	6,017	(1,816)
Change in Unfilled Customer Orders		
Advance Received	908	(12)
Without Advance From Federal Sources	(285)	3,332
Subtotal: Spending Authority From Offsetting Collections	23,139	275,530
Recoveries of Prior Year Obligations	25,758	24,534
Permanently Not Available Pursuant to Public Law	(9,132)	(10,478)
Total Budgetary Resources	$ 907,556	$1,192,107
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$808,505	$ 902,363
Reimbursable	9,648	254,994
Total Obligations Incurred	818,153	1,157,357
Unobligated Balance Apportioned	89,403	34,731
Unobligated Balance not Available	–	19
Total Status of Budgetary Resources	$ 907,556	$1,192,107
Relationship of Obligations to Outlays:		
Obligations Incurred	$ 818,153	$1,157,357
Obligated Balance, Net, Beginning of Year	314,243	218,149
Change in PILT Ownership	–	–
Obligated Balance, Net, End of Year:		
Accounts Receivable	9,347	4,675
Unfilled Customer Orders From Federal Sources	12,727	9,773
Undelivered Orders	(264,649)	(188,347)
Accounts Payable	(29,439)	(50,957)
Less: Spending Authority Adjustments	(31,490)	(26,049)
Outlays:		
Disbursements	828,892	1,124,601
Collections	(17,407)	(274,014)
Subtotal	811,485	850,587
Less: Offsetting Receipts	–	–
Net Outlays	$ 811,485	$ 850,587

Unaudited — see accompanying independent auditors' report

Miscellaneous Permanent Payment Account	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
$284,077	$ 523,719	$106,672	$ 91,590	$2,764,526
–	–	–	7,396	(119,214)
5,926	288,798	2,571	149,344	585,093
–	–	–	(357)	(357)
–	926	–	(50)	876
–	–	–	131,355	421,880
–	–	–	(1,621)	2,580
–	–	–	(1,563)	(667)
–	–	–	(84)	2,963
–	–	–	128,087	426,756
419	14,803	2,255	7,511	75,280
–	–	(1,315)	(524)	(21,449)
$290,422	$828,246	$ 110,183	$382,997	$ 3,711,511
$284,777	$262,482	$107,568	$203,458	$2,569,153
–	–	–	(83)	264,559
284,777	262,482	107,568	203,375	2,833,712
5,645	565,764	2,615	179,622	877,780
–	–	–	–	19
$290,422	$828,246	$ 110,183	$382,997	$ 3,711,511
$284,777	$262,482	$107,568	$203,375	$2,833,712
4,333	75,068	28,638	63,121	703,552
–	–	–	(298)	(298)
–	–	–	5,701	19,723
–	–	–	760	23,260
(5,159)	(269,274)	(22,889)	(62,549)	(812,867)
(89)	(8,485)	(4,889)	(8,158)	(102,017)
(419)	(14,803)	(2,256)	(5,806)	(80,823)
283,443	44,988	106,172	196,146	2,584,242
–	–	–	(129,792)	(421,213)
283,443	44,988	106,172	66,354	2,163,029
(180,932)	(496,118)	–	(124,280)	(801,330)
$102,511	$(451,130)	$ 106,172	$ (57,926)	$1,361,699

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2003

(dollars in thousands)	Wildland Fire Management	Management of Land and Resources
Budgetary Resources:		
Budget Authority:		
Appropriations Received	$ 879,406	$831,445
Net Transfers	(16,182)	77
Unobligated Balance:		
Beginning of Year	119,528	34,203
Net Transfers, Actual	(13,397)	400
Spending Authority From Offsetting Collections:		
Earned		
Collected	34,768	55,026
Receivable From Federal Sources	275	2,709
Change in Unfilled Customer Orders		
Advance Received	1,550	(37)
Without Advance From Federal Sources	2,205	1,721
Subtotal: Spending Authority From Offsetting Collections	38,798	59,419
Recoveries of Prior Year Obligations	39,842	19,248
Permanently Not Available Pursuant to Public Law	(4,254)	(5,367)
Total Budgetary Resources	$1,043,741	$939,425
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 917,157	$871,884
Reimbursable	24,893	30,778
Total Obligations Incurred	942,050	902,662
Unobligated Balance Apportioned	101,691	36,751
Unobligated Balance not Available	–	12
Total Status of Budgetary Resources	$1,043,741	$939,425
Relationship of Obligations to Outlays:		
Obligations Incurred	$ 942,050	$902,662
Obligated Balance, Net, Beginning of Year	307,526	231,469
Obligated Balance, Net, End of Year:		
Accounts Receivable	3,330	6,491
Unfilled Customer Orders From Federal Sources	13,012	6,441
Undelivered Orders	(274,274)	(191,982)
Accounts Payable	(56,311)	(39,099)
Less: Spending Authority Adjustments	(42,322)	(23,677)
Outlays:		
Disbursements	893,011	892,305
Collections	(36,318)	(54,989)
Subtotal	856,693	837,316
Less: Offsetting Receipts	–	–
Net Outlays	$ 856,693	$837,316

Unaudited — see accompanying independent auditors' report

Miscellaneous Permanent Payment Account	Payments in Lieu of Taxes	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
$252,255	$ 220,000	$ 303,070	$105,633	$ 99,905	$ 2,691,714
–	–	192	–	12,348	(3,565)
6,046	356	103,280	2,317	185,234	450,964
–	–	–	100	(7,469)	(20,366)
–	–	–	–	123,103	212,897
–	–	–	–	1,321	4,305
–	–	–	–	(4,114)	(2,601)
–	–	–	–	81	4,007
–	–	–	–	120,391	218,608
200	41	3,811	3,090	3,366	69,598
–	(1,448)	–	(687)	(28,351)	(40,107)
$258,501	$218,949	$ 410,353	$110,453	$385,424	$3,366,846
$252,575	$ 218,594	$ 121,555	$107,882	$231,438	$ 2,721,085
–	–	–	–	4,997	60,668
252,575	218,594	121,555	107,882	236,435	2,781,753
5,926	–	288,798	2,571	148,989	584,726
–	355	–	–	–	367
$258,501	$218,949	$ 410,353	$110,453	$385,424	$3,366,846
$252,575	$218,594	$ 121,555	$107,882	$236,435	$ 2,781,753
2,757	190	56,692	37,018	50,171	685,823
–	–	–	–	7,322	17,143
–	–	–	–	844	20,297
(3,863)	(285)	(67,552)	(22,671)	(61,265)	(621,892)
(470)	(13)	(7,516)	(5,967)	(9,724)	(119,100)
(200)	(41)	(3,811)	(3,090)	(4,769)	(77,910)
250,799	218,445	99,368	113,172	219,014	2,686,114
–	–	–	–	(118,989)	(210,296)
250,799	218,445	99,368	113,172	100,025	2,475,818
(185,381)	–	(294,221)	–	(70,482)	(550,084)
$ 65,418	$218,445	$(194,853)	$ 113,172	$ 29,543	$ 1,925,734

STEWARDSHIP ASSETS

The BLM has been entrusted with stewardship responsibility for the multiple-use management of natural resources on almost 262 million acres of public land. The BLM also administers approximately 700 million acres of on-shore Federal mineral estate on or underlying both Federal surface ownerships and some privately owned surface. In addition, the BLM has Trust responsibilities on 56 million acres of Indian Trust lands for mineral operations and cadastral (land) survey. Our Nation's public lands are valued for their environmental resources, their recreational and scenic values, the cultural and paleontological resources they contain, their vast open spaces, and the resource commodities and revenue they provide to the Federal government, states, and counties.

BLM-managed land used for field office sites, employee housing, seed orchards, recreation facility sites, and other administrative purposes is not included in the category of stewardship land. Land used for these purposes is considered to be administrative or recreation real property. All other BLM-managed lands are considered to be stewardship lands.

Stewardship Lands

Location of Stewardship Lands

Most of the public lands for which the BLM serves as steward were once a part of the 1.8 billion acres of "public domain" lands acquired by the Nation between 1781 and 1867. Lands managed by the BLM represent about one-eighth of America's land surface, or approximately 42 percent of the lands under Federal ownership. The BLM manages lands in 30 states, but most of the public lands are located in Alaska and the 11 western states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Figure 1 shows the percentage of each state's surface acreage that is managed by the BLM.

Use of Stewardship Lands

The BLM is guided by the principles of multiple use and sustained yield in managing the public lands—principles that are shaped by both tradition and statute. Historically, multiple use has meant that the same area of land can be used simultaneously for two or more purposes, often by two or more different persons or groups. These uses might be complementary, or, as is frequently the case, competitive with one another. This long-term BLM management practice was codified in 1976 with the enactment of

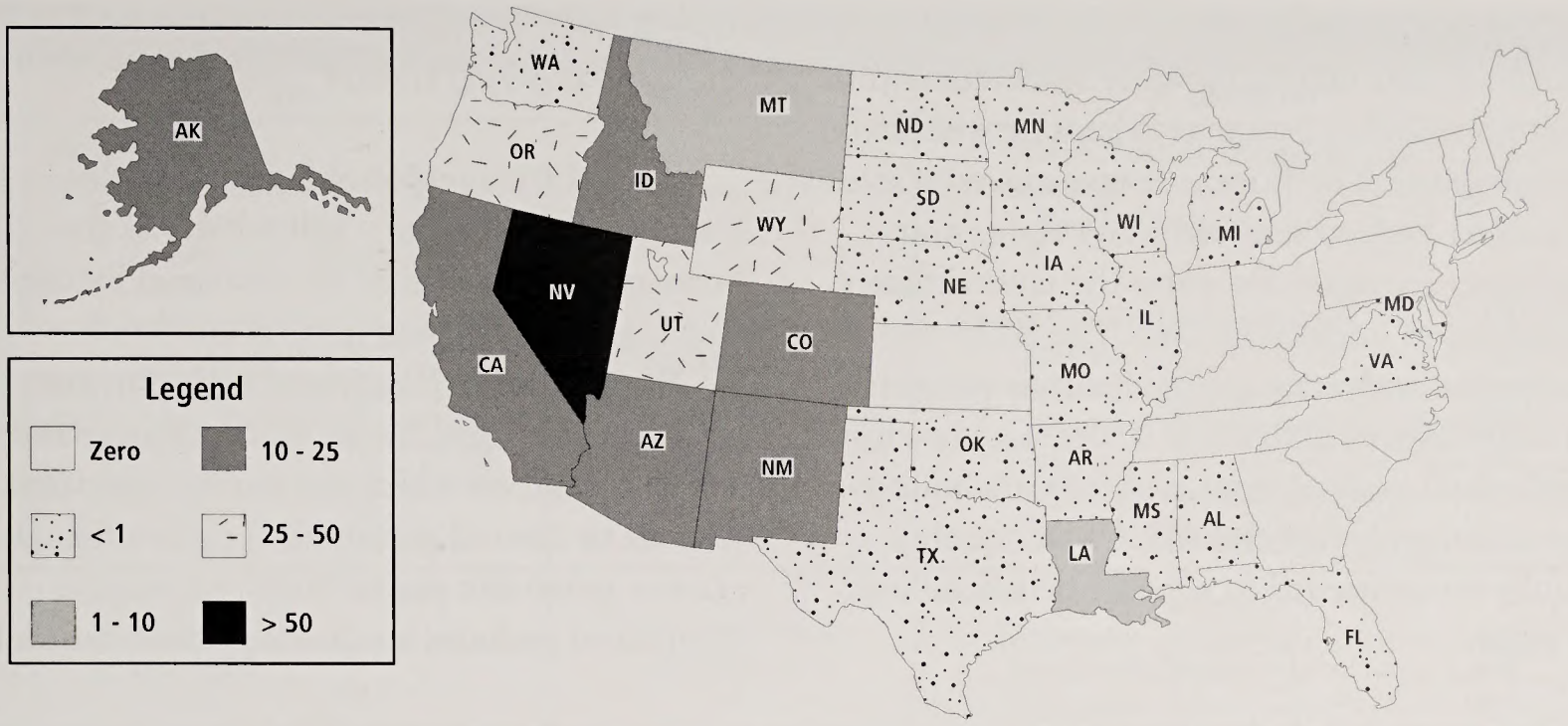


Figure 1 - Percentage of Each State's Surface Acreage Managed by the BLM

the Federal Land Policy and Management Act (FLPMA). Recognizing the value of the remaining public lands to the American people, Congress declared that these lands generally would remain in public ownership and defined multiple use as "management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people."

FLPMA requires not only that the BLM's management of the public lands avoid permanent impairment of the productivity of the land, but also that it not lead to the permanent impairment of "the quality of the environment." The act identifies the uses that are embraced by the multiple use concept to include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock management; timber; watershed; and habitat for wildlife and fish. In managing the public lands for these uses, the BLM is constrained by the legal mandate to "protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archeological values . . . and provide for . . . human occupancy and use."

For the BLM, land use planning is the process by which the multiple use concept is put into practice on any tract of public land. Use of the public lands and the riches they contain has changed throughout our Nation's history and continues to evolve. Identifying the predominant use of BLM-managed lands does not adequately portray the multiple use and sustained yield concept that guides the BLM in accomplishing its basic mission.

In adhering to the concept of multiple use and sustained yield, the Bureau's land management programs include significant efforts in preserving significant cultural and natural features; creating opportunities for commercial activities; protecting endangered species; developing opportunities for recreation and leisure activities; protecting public health, safety, and resources; managing wild horses and burros; managing wildlife habitat and fisheries; administering mining laws; managing rangelands; overseeing forest management, development, and protection; protecting wilderness; restoring riparian areas and wetlands; and managing wild and scenic rivers.

Water plays a critical role in supporting many aspects of public land and resources management. The BLM recognizes that the

states have the authority and responsibility for allocating and managing water resources within their boundaries, except as otherwise specified by Congress. The Bureau cooperates with states to protect Federal reserved water rights and appropriative rights for water the United States is entitled to under state law. The BLM also cooperates with state governments to protect all water uses as designated under state law for public land management purposes, including the meeting of state and tribal water quality requirements needed to support beneficial uses of water.

Types and Condition of Stewardship Lands

The BLM is responsible for managing a variety of land types. Table 1 shows the primary land types that are managed by the BLM, along with their general condition.

Rangelands: Rangeland is the largest land type managed by the BLM. Rangeland is a type of land on which the native vegetation (climax or natural potential) is predominately grasses, grass-like plants, forbs, or shrubs. Rangeland includes lands revegetated naturally

Cattle grazing on BLM rangelands in Utah.

Table 1 - Type and Condition of Lands Managed by the BLM

Land Type	Acres/Miles	Condition [1]
Rangeland a. Alaska Rangeland (Reindeer grazing permits: 1.2 million acres)	5 Million Acres	Potential natural community -------- 20% Late seral ---------- 80% *Total Acceptable* ---------- 100%
b. Continental USA Rangelands	159 Million Acres	[2] [3] [4] Potential natural community --------- 4% Late seral ---------- 18% Mid seral ---------- 22% *Subtotal Acceptable* ---------- 44% Early seral ---------- 8% *Subtotal Needs Intervention* ---- 8% Unknown/Uncategorized [5] ---------- 48%
Forested Land a. Forests b. Woodlands	11 Million Acres 44 Million Acres	[6] Acceptable---------- 16% Needs Intervention---------- 26% Unknown----------58%
Riparian Areas and Wetlands a. Riparian Areas	144,000 Miles/ 10 Million Acres	Alaska Properly Functioning ---------- 100% *Subtotal Acceptable* -------- 100% Nonfunctional ---------- trace Unknown ---------- trace Lower 48 States Properly Functioning ---------- 44% *Subtotal Acceptable* --------- 44% Functioning but at Risk ---------- 40% Nonfunctional ---------- 8% *Subtotal Needs Intervention*-- 48% Unknown ---------- 8%
b. Wetlands	13 Million Acres	Alaska Properly Functioning ---------- 98% *Subtotal Acceptable* --------- 98% Unknown ---------- 2% Lower 48 States Properly Functioning ---------- 67% *Subtotal Acceptable* --------- 67% Functioning but at Risk ---------- 19% Nonfunctional ---------- 2% *Subtotal Needs Intervention*-- 21% Unknown ---------- 12%
Aquatic Areas (Lakes, Reservoirs, and Streams)	3 Million Acres 116,485 Miles	Alaska: Good (Acceptable) Lower 48 States: Unknown
Other Habitat	17 Million Acres	Unclassified

[1] The cumulative direct impacts of the identified future liability hazardous materials sites will be very small nationally or even regionally. It is the BLM's goal to achieve cleanup of these sites, and as needed, to restore the functions of adversely affected natural resources.

[2] Invasive and noxious weeds currently infest more than 8.5 million acres, or 5 percent of the BLM's 159 million acres of rangeland in the continental United States. The BLM incorporates Integrated Pest Management techniques. The BLM's strategy for preventing and controlling the spread of invasive and noxious weeds on BLM-administered public lands is outlined in the "Partners Against Weeds" (PAW) Action Plan.

[3] The reported condition is based upon a newer, ecologically based classification system called Ecological Site Inventory.

[4] Bureauwide, only 52 percent of rangeland has been categorized to seral status using Ecological Site Inventories or the Soil-Vegetation Inventory Method. The percentage by state is as follows: Arizona, 52 percent; California, 15 percent; Colorado, 46 percent; Idaho, 73 percent; Montana (including North Dakota and South Dakota), 67 percent; Nevada, 38 percent; New Mexico, 76 percent; Oregon (including Washington), 55 percent; Utah, 60 percent; and Wyoming, 59 percent.

[5] The unknown/uncategorized condition for "Rangeland" refers to lands that have not been inventoried for condition, have been inventoried under a non-ecologically based classification, or have been inventoried for condition but cannot be categorized to a seral status because they lack the ability to produce vegetation.

[6] Experts in the BLM estimate that approximately 14 million acres are in need of ecological restoration work, including mechanical forest thinning/fuel reduction, prescribed fire treatments, and tree species reintroduction. Approximately 9 million acres are in acceptable condition, and approximately 32 million acres are in unknown condition.

or artificially when routine management of that vegetation is through manipulation of grazing. Rangelands encompass natural grasslands, savannahs, shrublands, most deserts, tundra, alpine communities, marshes, and meadows. The BLM manages rangelands as a natural ecosystem. Currently the BLM does not know the exact number of rangeland acres it manages, but the best proxy that can be reported is the number of acres managed in livestock grazing allotments found in the western states based on the BLM Rangeland Administration System (RAS), which is reported in Table 2.

Table 2 – Rangelands (Grazing Allotments): Distribution by State

State	Rangeland Acreage
Arizona	11,500,045
California	8,150,165
Colorado	7,732,687
Idaho	11,789,170
Montana/Dakotas	8,120,526
Nevada	45,824,954
New Mexico/Oklahoma	12,558,882
Oregon/Washington	13,601,477
Utah	22,089,791
Wyoming/Nebraska	17,494,288
Total Acreage	158,861,985

Rangeland Management: Well-managed rangelands produce forage and habitat for domestic and wild ungulates, neotropical birds, threatened and endangered plant and animal species, other forms of wildlife, and wild horses and burros. As a result of their watershed function of capturing and filtering water, rangelands supply water to communities, municipalities, and agricultural producers, as well as serving as areas for the natural recharge of aquifers from rain and snow. Rangelands also provide open space and room for a growing number of people wanting to hunt, fish, camp, hike, sightsee, operate off-highway vehicles, ride motorcycles, and participate in other forms of outdoor recreation.

The use of rangelands for grazing is supported not only by FLPMA, but also by the Public Rangelands Improvement Act of 1978 (PRIA) and the Taylor Grazing Act of 1934, as amended. The Taylor Grazing Act confers broad powers upon the Department of the Interior for the multiple use management of natural resources. It also contains very direct language requiring the BLM to stop injury to the public grazing lands by preventing overgrazing and soil deterioration; to provide for their orderly use, improvement, and development; and to stabilize the livestock industry that depends upon the public rangelands.

The BLM plays a significant role in managing the grazing of domestic livestock on public lands in the western states. Most of the permitted use on the public lands is committed and has been since the early days of the Bureau. The primary domestic livestock that are issued permits for grazing use are cattle and sheep. Horses, goats, and bison are also permitted.

BLM rangeland efforts in Alaska fall into two categories: weed management and management of reindeer grazing permits. Management of reindeer grazing permits includes annual fieldwork to monitor use and condition of lichen and vascular plants on selected grazing allotments (helicopter access), plus casefile administration. BLM staff attend annual meetings of the Reindeer Herders Association and the Alaska Reindeer Council, as well as interagency workshops featuring topics such as GIS database development, radio collaring techniques, and other areas of interest.

Field office managers and their resource staffs assess rangelands in accordance with each state's Standards for Rangeland Health (43 CFR 4180). These assessments are completed on areas to ensure, at a minimum, that grazing practices incorporate the following principles: (1) maintain or achieve properly functioning

ecosystems; (2) achieve properly functioning riparian systems; (3) maintain, restore, or enhance water quality that meets or exceeds state standards; and (4) maintain or restore the habitat of threatened or endangered and category 1 or 2 candidate species. Each state has developed its own standards for rangeland health with the help of Resource Advisory Councils. These councils are composed of individuals representing commodity interests, conservation groups, elected officials, state government agencies, Indian tribes, and academic institutions.

In FY 2004, field offices completed rangeland health evaluations on 1,489 grazing allotments encompassing about 13.3 million acres. To date, 9,227 allotments have been reviewed encompassing 71,298,154 acres.

Another ongoing effort for the BLM is the renewal of expiring term grazing permits and leases. This effort requires a review of each permit and lease to ensure conformance with land use plans and compliance with the National Environmental Policy Act (NEPA).

Rangeland Condition: The condition of rangeland managed by the BLM is expressed as the degree of similarity of present vegetation to the potential natural plant community:

- "Potential natural community" means current vegetation is between 76 and 100 percent similar to the potential natural plant community.
- "Late seral" means current vegetation is between 51 and 75 percent similar to the potential natural plant community.
- "Mid seral" means current vegetation is between 26 and 50 percent similar to the potential natural plant community.
- "Early seral" means current vegetation is between zero and 25 percent similar to the potential natural plant community.

"Early seral" condition lands are recognized as needing intervention.

Forests and Woodlands: Approximately one-fifth of the land under BLM jurisdiction, or 55 million acres, is forest and woodland. Forests and woodlands that are managed by the BLM include black and white spruce in Alaska; aspen, lodgepole pine, ponderosa pine, interior Douglas fir, and associated species of the Intermountain West; the pinyon-juniper woodlands of the Great Basin and the Southwest; and the Douglas fir, hemlock, and cedar forests of western Oregon and northern California.

Forests are generally defined as lands with 10 percent or greater stocking in tree species typically used in commercially processed wood products (lumber, plywood, paper, etc.). Woodlands are defined as those lands with 10 percent or greater stocking in tree species not typically used in commercial wood products, such as pinyon pine, juniper, cottonwood, and black spruce.

Cross-country skiers move along a path in the forests of Alaska.

Table 3 shows the distribution of the 55 million acres of forests and woodlands by state.

Forest and Woodland Management: All BLM forests and woodlands are managed under the principles of multiple use, sustained yield, and protection of environmental quality in accordance with the Federal Land Policy and Management Act (FLPMA). Management of values and uses such as recreation, aesthetics, water quality, wildlife habitat, and wilderness, as well as timber and other forest biomass production, is accomplished through an ecologically based program that emphasizes biological diversity, sustainability, and the long-term health of forests and woodlands.

Of the just over 11 million acres of forests managed by the BLM, approximately 5 million acres are located in the interior of Alaska. Timber development in this region is usually uneconomical due to the lack of transportation systems, and has also been largely deferred until State selection, Native claims, withdrawals, and other dispositions are completed.

The most productive forests managed by the BLM are located in western Oregon on what are referred to as the O&C lands. These lands were deeded back to the Federal government following the demise of the Oregon and California Railroad and the Coos Bay Wagon Roads (CBWR) in the 1930s. These highly productive lands are managed under the Northwest Forest Plan to provide a sustainable supply of both timber and non-timber resources. Of the approximately 2.4 million acres of commercial forest in western Oregon, about 496,000 acres are available to be intensively managed for timber production and produce about 84 percent of the total volume of timber annually harvested from BLM forests.

Forest and Woodland Condition: In the past few years, the traditional emphasis of forest management has changed. Attention is now focused on the ecological condition of forests and woodlands, expressed in terms of forest health. Forest health is characterized by such factors as age, structure, composition, function, vigor, the presence of unusual levels of insects or disease, and resilience to disturbance from factors such as wildfire. Overall forest health on BLM forests declined over the past century

Table 3 - Forests and Woodlands: Distribution by State

State	Forests (Thousand Acres)	Woods (Thousand Acres)	Total (Thousand Acres)
Alaska	5,297	22,982	28,279
Arizona	20	1,054	1,074
California	204	2,004	2,208
Colorado	1,069	3,041	4,110
Idaho	512	380	892
Montana	783	27	810
Nevada	5	6,269	6,274
New Mexico	44	941	985
Oregon	2,410	931	3,341
Utah	338	5,735	6,073
Washington	36	14	50
Wyoming	474	530	1,004
Total Acreage	11,192	43,908	55,100

due primarily to the exclusion of frequent, low-intensity fires. Exclusion of natural fires in forest ecosystems has led to tree population explosions, dead fuel accumulation, and landscape-level species composition changes that now seriously threaten the health of public forests. One consequence has been extensive insect and disease epidemics. Another consequence has been large, catastrophic wildfires that far exceed historic fire severity.

Congress recognized this impending disaster after the 2000 fire season and has dramatically increased funding under the National Fire Plan to begin to address the problem. The BLM is responding as part of the President's Healthy Forest Initiatives by developing projects to reduce hazardous fuels and utilize small-diameter trees for a variety of forest products, such as posts, poles, fuelwood, and biomass for energy production in support of the National Energy Policy.

The BLM estimates that more than one-fourth of the forests and woodlands it manages, or approximately 14 million acres, are in need of ecological restoration work, including mechanical thinning, hazardous fuel reduction, and tree species reintroduction.

The Forest Vegetation Information System (FORVIS), a forest and woodland inventory and analysis tool, was released for field use in 2002. The system provides data management and analytical capabilities for inventorying and monitoring vegetation on forested uplands. FORVIS provides a data repository and spatial analysis tools for assessing condition on forests and woodlands.

Riparian Areas and Wetlands: Riparian areas are linear "riverine wetlands" adjacent to flowing or standing bodies of water where vegetation is strongly influenced by the presence of water. This definition excludes ephemeral stream reaches where water flows for only brief periods during storm runoff events. Riparian areas may constitute less than 1 percent of the land area in the western part of the United States, but they are among the most productive and valuable of all lands.

Early attempts to track the condition of these natural linear features using an area unit (acres) rather than a linear unit (miles) proved difficult because the width, or distance from the stream, is difficult to estimate and would require costly field investigation. Remotely sensed estimates using aircraft or satellite images would be highly inaccurate and variable because of normal climatic variation. In light of this, the BLM has improved its linear estimates while conducting assessments of riparian condition status, but has discontinued its efforts to measure riparian acreage. The 10 million acres reported in Table 1 is a broad estimate of the total riparian acreage, but this figure lacks precision for the reasons noted above. Table 4 shows the distribution of both riparian areas and wetlands by state.

Table 4 - Riparian Areas and Wetlands: Distribution by State

State	Riparian Miles	Wetland Acreage
Alaska	107,565	12,552,298
Arizona	882	22,260
California	2,492	15,081
Colorado	4,344	9,818
Eastern States	5	119
Idaho	4,213	3,842
Montana	4,134	13,165
Nevada	2,614	18,655
New Mexico	458	3,674
Oregon	7,856	149,913
Utah	5,067	17,711
Wyoming	4,508	14,921
Totals	144,138	12,821,457

On BLM public lands having a subhumid climate in western Oregon, northern California, northern Idaho, central Colorado, and high elevation areas of Montana, Wyoming, and Utah, riparian areas are characterized by a

zone of deciduous trees and shrubs between the streams and conifer forests. In Alaska, riparian areas are composed of willows, alders, and meadow grasses along rivers, lakes, and bogs. In the arid climate of the Great Basin and Southwest, riparian areas are gems in the desert, characterized by grasses, forbs, sedges, woody shrubs, and trees; these areas are easily distinguished from drier upland vegetation.

Wetlands are generally defined as areas inundated or saturated by surface water or groundwater at a frequency and duration sufficient to support vegetation that is typically adapted for life in saturated soil. Wetlands include bogs, marshes, shallows, muskegs, wet meadows, and estuaries.

Healthy riparian-wetland systems purify water as it moves through the vegetation by removing sediment, and act like a sponge by retaining water in streambanks and ground water aquifers. Riparian-wetland vegetation along upper watershed streams can absorb and dissipate the energy of floodwaters before they reach high-value agricultural lands in lower valleys.

Riparian and Wetland Management: The BLM has placed special emphasis on the inventory, assessment, and management of riparian and wetland areas through its Riparian-Wetland Initiative. This initiative, which provides the blueprint for managing and restoring riparian-wetland areas, encompasses about 13 million acres of wetlands and about 140,000 miles of riparian areas on BLM's public lands. Overall, riparian-wetland areas account for about 9 percent of the almost 262 million acres of land under BLM management.

Many wildlife species depend upon the unique and diverse habitat niches offered by riparian-wetland areas. These habitats provide food, water, shade, and cover; they are valuable sources of forage for big game and livestock.

Riparian-wetland areas provide habitat for more than 42 percent of all the mammals in North America. They are also stopover areas for thousands of migrating birds. Riparian-wetland vegetation is of critical importance for fish, especially for trout in desert streams, where the vegetation provides escape cover. Riparian vegetation also lowers summer water temperatures through shading and reduces streambank erosion that can silt in spawning and rearing areas.

Finally, riparian areas are focal points for recreation, including fishing, camping, boating, and hiking.

Riparian and Wetland Condition: The condition of riparian-wetland areas is determined by the interaction of geology, hydrology, soil, water, and vegetation:

- "Proper functioning" means that adequate vegetation, landform, or large woody debris is present to dissipate stream energy associated with high waterflows; to filter sediment, capture bedload, and aid floodplain development; to improve floodwater retention and groundwater recharge; to develop root masses that stabilize streambanks against cutting action; to develop diverse ponding and channel characteristics; and to support greater biodiversity.

- "Functioning at risk" means that areas are in functional condition but are susceptible to degradation due to soil, water, or vegetation characteristics.

- "Nonfunctional" means that areas do not provide adequate vegetation, landform, or large woody debris to dissipate stream energy, and consequently do not reduce erosion or improve water quality.

- "Unknown" applies to areas where sufficient information has not been collected to determine condition.

Aquatic Areas: Aquatic areas encompass both flowing and standing bodies of water. These areas encompass almost 2.9 million acres of lakes and reservoirs and more than 116,000 miles of fishable streams on BLM-administered lands. Table 5 shows the distribution of lakes and reservoirs in acres and fishable streams in miles by state.

Table 5 - Lakes, Reservoirs, and Fishable Streams: Distribution by State

State	Lake Acreage	Reservoir Acreage	Fishable Stream Miles
Alaska	2,600,000	0	96,424
Arizona	1,164	10,160	160
California	129	65	1,071
Colorado	561	18,149	2,934
Idaho	687	36,924	3,350
Montana	3,500	34,000	1,234
Nevada	24,570	11,300	2,381
New Mexico	21	1,131	278
Oregon	59,375	14,146	3,534
Utah	2,906	24,828	2,644
Wyoming	3,573	33,181	2,475
Totals	2,696,486	183,884	116,485

These areas contain a wide variety of aquatic species, from rare, highly localized endemic native species such as desert pupfish, to broad-ranging endangered and threatened anadromous species such as steelhead and chinook salmon. These species and their aquatic environments depend on sound BLM land stewardship (protection and management) of all BLM land types (forests and woodlands, rangelands, and riparian-wetland areas) on a landscape or watershed basis, in cooperation with other management jurisdictions, state and Federal agencies, and interest groups.

The landscape/watershed approach is a tool for moving in an orderly fashion towards Clean Water goals. This is required pursuant to the Unified Federal Policy for a Watershed Approach, which was published in October 2000 by the Departments of the Interior and Agriculture, as well as other Federal departments and agencies having responsibilities for Federal land and resource management.

Aquatic Area Management: Many BLM activities directly or indirectly affect, or are affected by, the management of aquatic resources. In addition to resident and anadromous fisheries management, threatened/endangered species and Clean Water initiatives, and Fish and Wildlife 2000, the BLM has implemented standards for rangeland health and guidelines for watersheds, riparian areas/wetlands, stream channels, and water quality. These activities, along with forestry initiatives, contribute to the maintenance and restoration of aquatic habitats. Listings of fish and other aquatic species continue under the Endangered Species Act, while listings of impaired waters are being made by states under the Clean Water Act. Both will require the BLM to modify resource management consistent with species, aquatic ecosystem, water quality, and water use needs.

The Fishery Resources Conservation Plan, developed in response to Executive Order 12962, requires the BLM to enhance recreational angling on public lands; the BLM has provided additional access for fishing opportunities under this plan. One of the Bureau's major goals is to restore native fish species through "Bring Back the Natives," its flagship partnership with Trout Unlimited, the National Fish and Wildlife Foundation, and other Federal and tribal partners. The BLM also has partnerships through locally led watershed coalitions with numerous Federal and state agencies, tribes, local governments, private partners, and non-governmental organizations throughout the West to restore and manage watersheds, including their aquatic systems and ability to produce clean water. With continued involvement in these partnerships, aquatic

habitats on BLM-administered lands should continue to improve over the next decade.

Aquatic Area Condition: The BLM has not assessed the condition of all of the aquatic habitats that it manages, nor has any agency developed adequate surface water or ground water data associated with most aquatic habitat. Aquatic condition is highly variable on BLM-managed public lands.

The condition of the more than 96,000 miles of perennial streams in Alaska is good; of the 15,145 miles of BLM-administered streams in Alaska occupied by anadromous fish species, only about 2 percent have been impacted by mining activities, roads, and oil and gas development. The remaining stream miles in Alaska have experienced little or no human impact and are generally considered to be in good to excellent condition. Most water quality permitting on public lands in Alaska is done with close cooperation between the BLM, the U.S. Fish and Wildlife Service, and the Army Corps of Engineers.

Alaska BLM is collaborating with twelve Federal and state agencies to develop remotely based resource information (digital formats for watersheds and their subdivisions) and user tools, which together will enhance our ability to manage and protect aquatic areas. In addition, to respond to diminishing salmon habitats and populations in the Yukon Basin, the BLM is cooperating with Native groups, state agencies, and other Federal agencies to complete habitat restoration and increase salmon populations.

In the eleven western states where the BLM manages large tracts of public land, the condition of those aquatic areas that have been assessed ranges from good to excellent, including the 1,110 miles of rivers designated as Wild and Scenic in these states. However, conditions are degraded or poor in many areas that have been impacted by activities such as historic livestock management practices, water diversion, ground-water pumping, legacy mining, timber harvesting, and road building. For the 3,676 miles of BLM-administered streams in Oregon, Washington, Idaho, and California that support salmon and trout, habitat conditions range from poor to excellent.

A similar range of conditions in aquatic areas prevails in the other western states. Aggressive restoration treatments, including changes in management practices and direct channel/riparian manipulation, will be needed to move Functioning at Risk systems into a Proper Functioning condition.

Other Habitat: Lands classified as other habitat are areas that generally do not provide forage in sufficient amounts to sustain wildlife or grazing animals. This land type includes mountaintops, glaciers, barren mountains, sand dunes, playas, hot-dry deserts, and other similar areas.

Classification of BLM Stewardship Land and Net Changes in Acreage from 2003 to 2004

Tables 6 through 8 shows the acreage under the exclusive management of the BLM for FY 2003 and FY 2004, as well as changes between the two years. Table 6 shows this information by state. Table 7 shows the acreage of Presidential and Congressional designated special management areas falling within the National Landscape Conservation System (NLCS), whether reported in acres and/or miles. All other BLM acres fall within the multiple-use lands category. The BLM also manages other special management areas that are not Presidential or Congressional designated special management areas falling within the National Landscape Conservation System. These areas are listed in Table 8, and the acreages listed in this table fall within the categories listed on Table 7. There are frequent overlaps between special management areas, and Table 7 includes an adjustment line to account for acres falling in more than one special management area. Table 7 also includes

an adjustment line to account for reclassification of lands between special management areas and the multiple-use lands category that do not result in a net change in BLM-managed acres.

The overall decrease of 102,258 acres during the fiscal 2004 resulted from the net effect of acquisitions (purchases), disposals (sales), exchanges (both transfers in and out, frequently together with an equalization payment by one of the parties), withdrawals, restoration transactions, and audits/reviews (corrections) of records.

Table 6 - Acreage under the Exclusive Management of the BLM in 2003 and 2004 by State

State	2003 Acreage	2004 Increase	2004 Decrease	2004 Net Change	2004 Acreage
Alabama	111,369	0	0	0	111,369
Alaska	85,652,163	0	(98,902)	(98,902)	85,553,261
Arizona	12,228,398	1,431	(246)	1,185	12,229,583
Arkansas	295,185	0	0	0	295,185
California	15,198,670	12,995	(3,663)	9,332	15,208,002
Colorado	8,368,106	6,502	(11,989)	(5,487)	8,362,619
Florida	26,899	0	0	0	26,899
Idaho	11,993,499	2,708	(1,082)	1,626	11,995,125
Illinois	224	0	0	0	224
Iowa	378	0	0	0	378
Louisiana	321,734	0	0	0	321,734
Maryland	548	0	0	0	548
Michigan	74,807	0	0	0	74,807
Minnesota	146,658	0	0	0	146,658
Mississippi	56,212	0	0	0	56,212
Missouri	2,094	0	0	0	2,094
Montana	7,964,028	1,516	(6,447)	(4,931)	7,959,097
Nebraska	6,354	0	0	0	6,354
Nevada	47,860,756	6,155	(19,254)	(13,099)	47,847,657
New Mexico	13,371,431	322	(16)	306	13,371,737
North Dakota	59,482	0	(645)	(645)	58,837
Oklahoma	2,136	0	0	0	2,136
Oregon	16,135,906	814	(1,261)	(447)	16,135,459
South Dakota	274,450	0	0	0	274,450
Texas	11,833	0	0	0	11,833
Utah	22,867,662	1,920	(336)	1,584	22,869,246
Virginia	805	0	0	0	805
Washington	403,316	0	0	0	403,316
Wisconsin	159,982	0	0	0	159,982
Wyoming	18,355,293	8,200	(980)	7,220	18,362,513
Total	261,950,378	42,563	(144,821)	(102,258)	261,848,120

Table 7 – Special Management Areas Designated by Congress or the President Included in the National Landscape Conservation System[1]

Special Management Area Type Reported in Acres	2003 Total Acres	2004 Increase	2004 Decrease	2004 Net Change	2004 Total Acres
National Monuments	4,806,947				4,806,947
National Conservation Areas	13,976,146	18,029		18,029	13,994,175
Cooperative Management and Protection Area	425,550				425,550
White Mountains National Recreation Area	998,772				998,772
Yaquina Head Outstanding Natural Area	100				100
Wilderness Areas	6,515,287				6,515,287
National Wild and Scenic Rivers	1,005,652				1,005,652
Headwaters Forest Reserve	7,400				7,400
Multiple-Use Public Lands [2]	238,991,088	42,563	(162,850)	(120,287)	238,870,801
Adjustment for Acres Falling in More Than One Special Management Area [3]	(4,776,564)				(4,776,564)
Adjustment for Acres Transferred Between Listed Special Management Areas and Multiple-Use Lands [4]		(18,029)	18,029		
Total Acres	261,950,378	42,563	(144,821)	(102,258)	261,848,120
Special Management Area Type Reported in Miles	**2003 Total Miles**	**2004 Increase**	**2004 Decrease**	**2004 Net Change**	**2004 Total Miles**
National Wild and Scenic Rivers	2,061				2,061
National Historic Trails	4,563	387	(107)	280	4,843
National Scenic Trails	640	17	(30)	(13)	627

[1] These quantities are also reported in Table 1 of this report under the land type (e.g., rangelands, aquatic areas, etc.) applicable to the special management area.

[2] Total acres for multiple-use lands excludes those acres falling within one or more of the special management areas listed above.

[3] Numerous BLM-managed acres fall within two or more special management area classifications. For example, acres listed under wilderness areas and national wild and scenic rivers may also fall within the boundaries of national monuments and/or national conservation areas. Consequently the sum total of the listed special management area acres will exceed the actual number of acres contained within one or more listed special management areas. To avoid multiple counting of overlapping acres, this line adjusts for the sum of known overlapping acres within the reported special management areas. The reported multiple-use land acres will be adjusted in the future if any additional overlapping special management areas are identified.

[4] This line adjusts for transfers of land between the reported categories that result in decreases and increases between categories but do not represent an actual change in the BLM-managed acreage quantity. For example, multiple-use land category acres might be reclassified as additions to a currently existing wilderness area, or a new wilderness area may be created.

Table 8 – Other Special Management Areas[1]

Special Management Area Type Reported in Acres	2003 Total Acres	2004 Increase	2004 Decrease	2004 Net Change	2004 Total Acres
Wilderness Study Areas [2]	15,566,656	20,668	(19,126)	1,542	15,568,198
Santa Rosa San Jacinto Mountains National Scenic Area	101,000				101,000
Lake Todatonten Special Management Area	37,579				37,579
Herd Management Areas	29,649,100	387,001	(537,673)	(150,672)	29,498,428
Areas of Critical Environmental Concern	12,939,368	44,832	(20,889)	23,943	12,963,311
National Natural Landmarks	417,429				417,429
Research Natural Areas	426,566				426,566
Globally Important Bird Areas	56,500				56,500
Special Management Area Type Reported in Miles	**2003 Total Miles**	**2004 Increase**	**2004 Decrease**	**2004 Net Change**	**2004 Total Miles**
National Recreation Trails	441	21	(3)	18	459
National Back Country Byways	3,028		(76)	(76)	2,952

[1] These quantities are also reported in Table 1 of this report under the land type (e.g., rangelands, aquatic areas, etc.) applicable to the special management area, and are also included in one or more of the categories found in Table 7. Some acres are also found in two or more categories of Table 8 because of overlapping boundaries. For example, the Santa Rosa San Jacinto Mountains National Scenic Area acres are included in the Santa Rosa/San Jacinto Mountains National Monument acres, and Globally Important Bird Areas acres are included in both the San Pedro Riparian National Conservation Area acres and the Yaquina Head Outstanding Natural Area acres. There are significant overlaps between areas of critical environmental concern and research natural areas.

[2] Wilderness study areas are not included in Table 7 because, while they are part of the National Landscape Conservation System (NLCS), they have not been designated by Congressional or Presidential action.

Natural Heritage Assets

Protecting and Enhancing the Natural and Human Environment

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment. Special management areas have been designated by presidential, congressional, and administrative action. Presidential action has established fourteen BLM national monuments. Congress has established one BLM national monument, and numerous national conservation and protection areas, wilderness areas, wild and scenic rivers, national trails, and other designations. Areas administratively designed by the BLM and other Departmental entities include recreation areas, primitive areas, natural areas, resource conservation areas, areas of critical environmental concern, and others.

Types of Special Management Areas

Although the BLM manages natural heritage assets that are not in specifically designated areas, significant portions of the public lands have been congressionally or administratively designated as special management areas. These special management areas have been designated to preserve their

Figure 2 - BLM-Managed Public Lands, including National Monuments and National Conservation Areas

natural heritage values. Table 9 provides a summary of the number of designated special management areas. These special management areas contain various quantities of one or more of the land types described in Table 1. The first eleven types of special management areas constitute the BLM National Landscape Conservation System, which was created in 2000 to increase the public's awareness and appreciation for these public land treasures as well as to focus more management attention and resources on them.

Table 9 - Designated Special Management Areas

Special Management Area Type [1]	Number
National Landscape Conservation System Areas	
National Monuments [p - 14 and c - 1]	15
National Conservation Areas [c]	13
Cooperative Management and Protection Area [c]	1
White Mountains National Recreation Area [c]	1
Yaquina Head Outstanding Natural Area [c]	1
Wilderness Areas [c]	161
Wilderness Study Areas [a]	624
National Wild and Scenic Rivers [c]	38
Headwaters Forest Reserve [c]	1
National Historic Trails [c]	10
National Scenic Trails [c]	2
Other Special Management Areas	
National Recreation Trails [a]	31
National Back Country Byways [a] [2]	55
Santa Rosa San Jacinto Mountains National Scenic Area [a]	1
Lake Todatonten Special Management Area [c]	1
Herd Management Areas [a]	200 [3]
Areas of Critical Environmental Concern [a]	914
National Natural Landmarks [a]	45
Research Natural Areas [a]	184
Globally Important Bird Areas [a]	2

[1] Congressional designations are identified by [c], Presidential proclamation designations are identified by [p], and Administrative designations are identified by [a].

[2] This Special Management Area type includes only those byways administratively designated under the BLM's Back Country Byway Program. In addition, the BLM is involved in the cooperative management of an additional 17 byways, totaling 2,492 miles, on public lands that have been recognized by state or national designation.

[3] The BLM also manages one additional Herd Management Area on behalf of the Department of Defense.

National Monuments: National monuments can be designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. Monuments can also be designated by Presidential proclamation under the Antiquities Act of 1906 to protect objects of scientific or historic interest. The BLM manages 15 monuments. Table 10 shows the name, location, BLM-managed acreage, other acreages, and total acreage for each national monument. The text following the table reports acreages for national monuments in terms of the BLM-managed acreage.

The **Agua Fria National Monument**, designated by Presidential proclamation on January 11, 2000, is located approximately 40 miles north of Phoenix. The 71,100-acre monument contains one of the most significant systems of late prehistoric sites in the American Southwest.

Its ancient ruins offer insights into the lives of those who long ago inhabited this part of the desert southwest. Between A.D. 1250 and 1450, the area's pueblo communities were populated by up to several thousand people. At least 450 prehistoric sites are known to exist within the monument, and there are likely many more. There are many intact petroglyphs, as well as remnants of prehistoric agricultural features. The monument also contains historic sites representing early Anglo-American history through the nineteenth century, including remnants of Basque sheep camps, historic mining features, and military activities.

In addition to its rich record of human history, the monument contains outstanding biological resources. The diversity of vegetative communities, pristine riparian habitat,

Table 10 - National Monuments

National Monument	State	BLM Acreage	Other Federal Acreage	Non-Federal Acreage	Total Acreage
Agua Fria	Arizona	71,100	0	1,444	72,544
Grand Canyon-Parashant	Arizona	807,881	216,544	30,479	1,054,904
Ironwood Forest	Arizona	129,022	0	60,709	189,731
Sonoran Desert	Arizona	486,603	0	9,734	496,337
Vermilion Cliffs	Arizona	280,324	0	13,836	294,160
California Coastal	California	883	0	0	883
Carrizo Plain	California	204,107	0	41,941	246,048
Santa Rosa/San Jacinto Mountains	California	86,400	64,400	121,200	272,000
Canyons of the Ancients	Colorado	163,892	0	18,570	182,462
Craters of the Moon	Idaho	273,847	465,835	15,181	754,863
Pompeys Pillar	Montana	51	0	0	51
Upper Missouri River Breaks	Montana	374,976	0	120,475	495,451
Kasha-Katuwe Tent Rocks	New Mexico	4,114	0	1,280	5,394
Cascade-Siskiyou	Oregon	52,947	4	32,222	85,173
Grand Staircase-Escalante	Utah	1,870,800	0	15,000	1,885,800
Total Acreage		4,806,947	746,783	482,071	6,035,801

topographical features, and relative availability of water provide habitat for a wide array of sensitive species and other wildlife.

The **Grand Canyon-Parashant National Monument**, designated by Presidential proclamation on January 11, 2000, is situated on the Colorado Plateau in northwestern Arizona. The 807,881- acre monument is located on the edge of one of the most beautiful places on Earth—the Grand Canyon. This monument is a scientific treasure, containing many of the same values that have long been protected in Grand Canyon National Park.

Deep canyons, mountains, and lonely buttes testify to the power of geological forces and provide colorful vistas. Its Paleozoic and Mesozoic sedimentary rock layers are relatively undeformed and unobscured by vegetation, offering a clear window on the geologic history of the Colorado Plateau. The monument encompasses the lower portion of the Shivwits Plateau, an important watershed for the Colorado River and the Grand Canyon.

Archaeological evidence shows much human use of the area over the past centuries. Prehistoric use is documented by irreplaceable rock art images, quarries, villages, watchtowers, farms, burial sites, caves, rockshelters, trails, and camps. Historic ranch structures and corrals, fences, water tanks, and the ruins of sawmills are scattered across the monument; these tell the stories of remote family ranches and the lifestyles of early homesteaders. There are several old mining sites dating from the 1870s that illustrate the history of mining during the late nineteenth and early twentieth centuries.

The monument also contains outstanding biological resources. Undisturbed strands of giant Mojave yucca are found throughout the monument. Diverse wildlife inhabit the monument, including a trophy-quality mule deer herd, Kaibab squirrels, and wild turkeys. There are numerous threatened or endangered species as well, including the Mexican spotted owl, the California condor, the desert tortoise, and the southwestern willow flycatcher.

The **Ironwood Forest National Monument,** designated by Presidential proclamation on June 9, 2000, is located 25 miles west-northwest of Tucson, Arizona. This 129,022-acre monument contains objects of scientific interest throughout its desert environment.

The landscape of the Ironwood National Monument is blanketed with the rich, drought-adapted vegetation of the Sonoran Desert. Stands of ironwood, blue palo verde, and saguaro blanket the monument's lower elevations beneath the rugged Silver Bell, Ragged Top, and Waterman Mountains. The geologic and topographic variability of the monument contribute to its biological diversity. Ironwood trees, which can live in excess of 800 years, are the primary nurse plant in this region of the Sonoran Desert, with dominant influence on the surrounding ecosystem. The Silver Bell Mountains support the highest density of ironwood trees recorded in the Sonoran Desert.

The ironwood habitat in the Silver Bell Mountains is associated with more than 674 species, including 64 mammals and 57 bird species. These numbers include several species federally listed as threatened or endangered, including historic and potential habitat for the cactus ferruginous pygmy owl. The desert bighorn sheep in the monument may represent the last viable population indigenous to the Tucson basin.

The **Sonoran Desert National Monument,** designated by Presidential proclamation on January 17, 2001, is located in south-central Arizona. The 486,603-acre monument is a magnificent example of untrammeled Sonoran desert landscape.

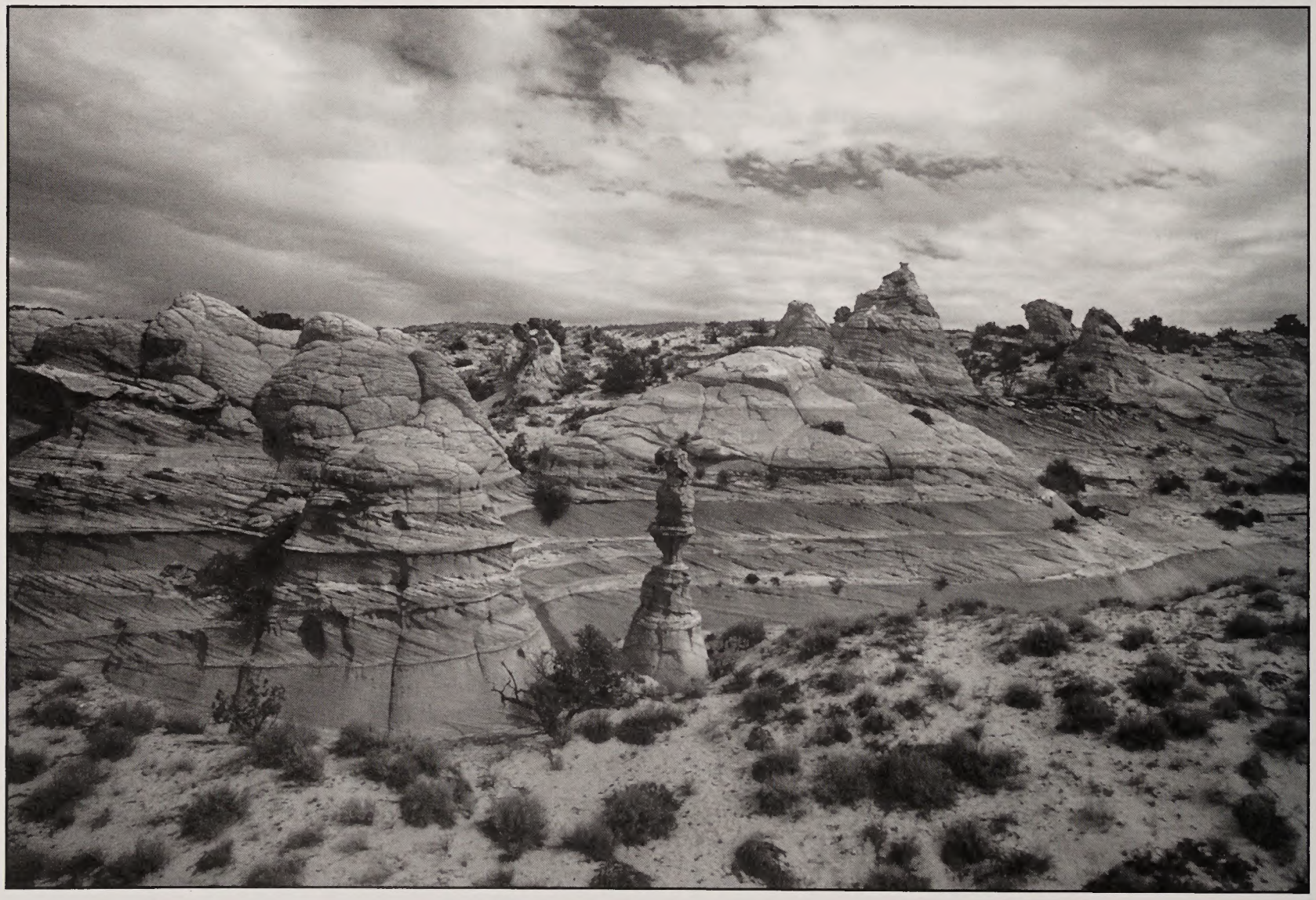
The area encompasses a functioning desert ecosystem with an extraordinary array of biological, scientific, and historic resources. The Sonoran Desert is the most biologically diverse

of the North American deserts. Consisting of distinct mountain ranges separated by wide valleys, the monument also holds large saguaro cactus forest communities that provide excellent habitat for a wide range of wildlife species.

The monument's biological resources include a spectacular diversity of plant and animal species. The most striking aspect of the plant communities within the monument is the saguaro cactus forests; thousands of saguaro cactuses line the desert floor. The diverse plant communities present in the monument support a wide variety of wildlife; a robust population of desert bighorn sheep, especially in the Maricopa Mountains area; and other mammalian species such as mule deer, javelina, mountain lion, gray fox, and bobcat. The desert tortoise occupies approximately 25,000 acres of habitat in the Maricopa Mountains.

The monument contains many significant archaeological and historic sites, including rock art sites, lithic quarries, and scattered artifacts. Vekol Wash is believed to have been an important prehistoric travel and trade corridor between the Hohokam and tribes located in what is now Mexico. The monument also contains a much-used trail corridor 20 miles long in which is found remnants of several important historic trails, including the Juan Bautista de Anza National Historic Trail, the Mormon Battalion Trail, and the Butterfield Overland Stage Route.

The **Vermilion Cliffs National Monument,** designated by Presidential proclamation on November 9, 2000, is located west of Page, Arizona, in northern Arizona. This 280,324-acre monument is a geological treasure.



The 112,500-acre Paria Canyon-Vermilion Cliffs Wilderness lies in Coconino (Arizona) and Kane (Utah) Counties, approximately 10 miles west of Page, Arizona.

Its centerpiece is the majestic Paria Plateau, a grand terrace lying between two great geologic structures, the East Kaibab and the Echo Cliffs monoclines. The Vermilion Cliffs, which lie along the southern edge of the Paria Plateau, rise 3,000 feet in a spectacular escarpment capped with sandstone underlain by multicolored, actively eroding, dissected layers of shale and sandstone. The stunning Paria River Canyon winds along the east side of the plateau to the Colorado River. Erosion of the sedimentary rocks in this 2,500 foot deep canyon has produced a variety of geologic objects and associated landscape features such as amphitheaters, arches, and massive sandstone walls. In the northwest portion of the monument lies Coyote Buttes, a geologically spectacular area where crossbeds of the Navajo Sandstone exhibit colorful banding in surreal hues of yellow, orange, pink, and red caused by the precipitation of manganese, iron, and other oxides. Thin veins or fins of calcite cut across the sandstone adding another dimension to the landscape.

Some of the earliest rock art in the Southwest occurs in the monument. High densities of Ancestral Puebloan sites occur, including remnants of large and small villages, some with intact standing walls, fieldhouses, trails, granaries, burials, and camps. The monument was also a crossroad for many historic expeditions. In 1776, the Dominguez-Escalante expedition of Spanish explorers traversed the monument in search of a safe crossing of the Colorado River. Later, Mormon exploring parties led by Jacob Hamblin crossed south of the Vermilion Cliffs on missionary expeditions to the Hopi villages. Mormon pioneer John D. Lee established Lee's Ferry on the Colorado River just south of the monument in 1871.

The monument's vegetation is a unique combination of cold desert flora and warm desert grassland. It includes one threatened species, Welsh's milkweed. California condors have been reintroduced into the monument in an effort to establish another wild population of this highly endangered species. Desert bighorn sheep, pronghorn antelope, mountain lion, and other mammals roam the canyons and plateaus. The Paria River supports sensitive native fish, including the flannelmouth sucker and the speckled dace.

The **California Coastal National Monument** was designated by Presidential proclamation on January 11, 2000. Totaling 883 acres in land surface, it runs the entire 840-mile length of the California coast and extends 12 nautical miles seaward from the shoreline, encompassing thousands of BLM-administered islands, rocks, exposed reefs, and pinnacles above mean high tide. Cooperatively managed with other Federal agencies, state agencies, local governments, universities, and private interests, the primary purpose of the monument is to protect important biological and geological values.

The monument contains many geologic formations that provide unique habitat, such as sensitive feeding and nesting habitat for an estimated 200,000 breeding seabirds, including gulls, the endangered California least tern, and the brown pelican. Studies as early as 1970 noted that the rookeries on which these birds breed are unprotected and in danger; the number of breeding pairs for some of the species continues to decline. The monument also provides forage and breeding habitat for several mammal species, including a number of threatened pinnipeds.

The **Carrizo Plain National Monument,** designated by Presidential proclamation on January 17, 2001, is adjacent to the southwest edge of the San Joaquin Valley in eastern San Luis Obispo County. The 204,107-acre monument is a diverse complex of habitats similar to those in the San Joaquin Valley that have become fragmented or destroyed.

Full of natural splendor and rich in human history, the majestic grasslands and stark ridges

in the monument contain exceptional objects of scientific and historic interest. Since the mid-1800s, large portions of the grasslands that once spanned the entire 400-mile expanse of California's nearby San Joaquin Valley have been eliminated by extensive land conversion to agricultural, industrial, and urban land uses. The monument, which is dramatically bisected by the San Andreas Fault zone, is the largest undeveloped remnant of this ecosystem, providing crucial habitat for the long-term conservation of the many endemic plant and animal species that still inhabit the area.

The monument offers a refuge for endangered, threatened, and rare animal species such as the San Joaquin kit fox, the California condor, the blunt-nosed leopard lizard, the giant kangaroo rat, the San Joaquin antelope squirrel, the longhorn fairy shrimp, and the vernal pool fairy shrimp. It also supports important populations of pronghorn antelope and tule elk, as well as being home to many rare and sensitive plant species. Despite past human use, the size, isolation, and relatively undeveloped nature of the area make it ideal for long-term conservation of the dwindling flora and fauna characteristic of the San Joaquin Valley region.

The monument is also rich with evidence of its prehistoric and historic past. Painted Rock, a sacred ceremonial site of the Chumash People, rises from the grassland, while remnants of homesteads, farms, and mining operations dot the remainder of the Plain.

Besides its grasslands and wildlife habitat, the area is world-famous for its spectacular exposures of fault-generated landforms. In 1857, the strongest earthquake in California's recorded history ripped through the San Andreas Fault, wrenching the western side of the monument 31 feet northward. The monument encompasses Soda Lake, the largest remaining natural alkali wetland in southern California and the only closed basin within the coastal mountains.

The **Santa Rosa/San Jacinto Mountains National Monument** is the first BLM-managed national monument that was designated by Congressional legislation; this legislation was signed by the President on October 24, 2000. The 86,400-acre monument, which lies south and west of Palm Springs, California, has a dramatic landscape rising abruptly from below sea level to the snow-capped San Jacinto Peak at 10,804 feet. The BLM's portion of the monument occurs at low-lying elevations from below sea level to roughly 2,500 feet. Vegetation ranges from creosote and desert flora to chaparral. The Forest Service manages 64,400 acres within the monument, primarily at elevations ranging from 2,000 feet to 7,500 feet. Vegetation here ranges from chaparral to a mixed conifer, with moderate to steep slopes and deeply dissected canyons.

The monument provides habitat for an endangered population of desert bighorn sheep. The Peninsular Range's population of desert bighorn sheep was listed as endangered by the United States Fish and Wildlife Service on March 18, 1998. Over the last 26 years, the population has declined dramatically from about 1,100 animals to its current population of less than 400 sheep. More than 500 plant and animal species, including the bighorn sheep, make their home in the monument. These include the California red-legged frog, southern yellow bat, desert tortoise, desert slender salamander, and the Least Bell's vireo.

The Santa Rosa Mountains have served as the homeland for hundreds of generations of Cahuilla. Direct evidence links the tribe to this area for at least 3,000 years. Within the Santa Rosas are sacred sites such as Agua Alta and landscape features of great importance to Cahuilla history. A network of trails connects village sites, campsites, and other areas of importance. The Cahuilla lived in the region for at least 3,000 years, up until the late nineteenth century.

Although the BLM and Forest Service are the primary land managers in the monument, a range of state and Federal agencies also manage small portions of the monument. There is also around 60,000 acres of private land within the monument's boundaries.

The **Canyons of the Ancients National Monument**, designated by Presidential proclamation on June 9, 2000, is located in southwest Colorado. This 163,892-acre monument contains the highest known density of archaeological sites in the Nation and features evidence of cultures and traditions spanning thousands of years.

Consisting of intertwined natural and cultural resources, the monument's rugged landscape has contributed greatly to the protection of its scientific and historic objects. The more than 20,000 archeological sites reflect all of the physical components of past human life: villages, field houses, check dams, reservoirs, great kivas, cliff dwellings, shrines, sacred springs, agricultural fields, petroglyphs, and sweat lodges. Portions of the area have more than 100 sites per square mile.

The monument is known for its sheer sandstone cliffs, with mesa tops rimmed by caprock and deeply incised canyons. These formations are crucial habitat for a wide variety of wildlife species, including the Mesa Verde nightsnake and the long-nosed leopard lizard.

The **Craters of the Moon National Monument** was established by President Coolidge on May 2, 1924. Since 1924, the monument has been expanded through five presidential proclamations issued in accordance with the Antiquities Act. The most recent and largest expansion of the monument occurred November 9, 2000, when a Presidential Proclamation enlarged the monument thirteenfold. The monument now encompasses a total area of 754,863 acres, of which 273,847 acres are under the jurisdiction of the BLM.

The expanded monument assures the protection of the entire Great Rift volcanic zone. It encompasses a remote area which includes the Kings Bowl lava field, Wapi lava field, and the Bear Trap lava tube. The Bear Trap lava tube is an unusual 15-mile-long cave system that contains well-preserved lava stalactites and curbs that mark the high level of flowing lava on the lava tube walls. The monument is managed cooperatively by the National Park Service and the BLM. The National Park Service has primary management authority over the portion of the monument that includes the exposed lava flows. The BLM has primary management authority over the remaining portion.

The monument is a geologic wonder cast in a wild and remote landscape. Its central focus is the Great Rift, a 62-mile-long crack in the earth's crust. The Great Rift is the source of a remarkably preserved volcanic landscape with an array of exceptional features. Craters, cinder coves, lava tubes, deep cracks, and vast lava fields form a beautiful volcanic sea on central Idaho's Snake River Plain. Volcanic eruptions first occurred at Craters of the Moon about 15,000 years ago. The most recent eruptions ended about 2,100 years ago and were likely witnessed by the Shoshone people. The volcanic area now lies dormant, but its eight eruptive periods formed 60 lava flows that traveled as far as 45 miles from their vents. Some of the lava flowed around areas of higher ground, forming isolated islands of vegetation called "kipukas." Today, these kipukas provide a window on the vegetation communities of the past. They contain some of the last pristine vegetation in the Snake River Plain, including 700-year-old juniper trees and relic stands of sagebrush and native bunchgrass.

The **Pompeys Pillar National Monument**, designated by Presidential proclamation on January 17, 2001, was initially designated as a national historic landmark in 1965. The key feature of the 51-acre monument is a massive sandstone outcrop that rises 150 feet from an almost two-acre base on the banks of the Yellowstone River, east of Billings,

Montana. The pillar's premier location at a natural ford in the Yellowstone River and its geologic distinction as the only major sandstone formation in the area have made it a celebrated landmark and outstanding observation point for more than 11,000 years of human occupation.

Hundreds of markings, petroglyphs, and inscriptions left by visitors have transformed this geologic phenomenon into a living journal of the American West. The monument's most notable visitor, Captain William Clark of the Lewis and Clark Expedition, arrived at Pompeys Pillar on July 25, 1806, on his return trip from the Pacific coast. Clark marked his presence by engraving his name and the date of his visit on the outcrop. This simple inscription is the only remaining physical evidence of Lewis and Clark's epic journey.

Archaeological evidence of past occupation of the Pillar area by Native Americans has been discovered at various depths below ground. These materials appear to be the remains of hunting and living camps, probably occupied by relatively small groups of people for short periods of time.

Pompeys Pillar is home to many wildlife species and serves area communities as a viewing area. More than 100 different bird species have been noted in the area, including owls, sandpipers, terns, and bald eagles. Deer, fox, coyotes, raccoons, and numerous small mammals, amphibians, and reptiles call the Pillar home. Much of the wildlife population is a result of the site's thriving riparian zone, a healthy plant community of grasses, willows, and cottonwood trees that stabilize the river bank and provide important habitat.

The **Upper Missouri River Breaks National Monument**, designated by Presidential proclamation on January 17, 2001, includes an ecosystem that parallels the Upper Missouri National Wild and Scenic River through north-central Montana. The 374,976-acre monument contains a spectacular array of biological, geological, and historical objects of interest.

The area has remained largely unchanged in the nearly 200 years since Meriwether Lewis and William Clark traveled through it on their epic journey. Lewis and Clark first encountered the Breaks country of the monument on their westward leg. In his journal, Clark described the abundant wildlife of the area, including mule deer, elk, and antelope, and on April 29, 1805, the Lewis and Clark expedition recorded the first bighorn sheep observation by non-Indians in North America.

The monument boasts the most viable elk herd in Montana and one of the premier bighorn sheep herds in the continental United States. It contains essential winter range for sage grouse as well as habitat for prairie dogs.

Visitors to Pompeys Pillar view the interpretive signs that include background information about the site.

Abundant plant life along the River and across the Breaks country supports this wildlife. The lower reach of the Judith River, just above its confluence with the Missouri, contains one of the few remaining fully functioning cottonwood gallery forest ecosystems on the Northern Plains. Arrow Creek contains the largest concentration of antelope and mule deer in the monument, as well as important spawning habitat for the endangered pallid sturgeon. An undammed tributary to the Missouri River, Arrow Creek is a critical seed source for cottonwood trees for the flood plain along the Missouri.

The cliff faces in the monument provide perching and nesting habitat for many raptors, including the sparrow hawk, ferruginous hawk, peregrine falcon, prairie falcon, and golden eagle. Several pairs of bald eagles nest along the river in the monument and many others visit during the late fall and early winter. Shoreline areas provide habitat for great blue heron, pelican, and a wide variety of waterfowl. The river and its tributaries in the monument host 48 fish species, including goldeye, drum, sauger, walleye, northern pike, channel catfish, and small mouth buffalo. The monument has one of the six remaining paddlefish populations in the United States. The river also supports the blue sucker, shovel nose sturgeon, sicklefin, sturgeon chub, and the endangered pallid sturgeon.

Long before the time of Lewis and Clark, the area was inhabited by numerous native tribes, including the Blackfeet, Assiniboin, Gros Ventre (Atsina), Crow, Plains Cree, and Plains Ojibwa. Pioneers and soldiers followed Lewis and Clark in the 1830s, establishing Fort Piegan, Fort McKenzie, and Fort Benton. Remnants of this rich history are scattered throughout the monument, and the River corridor looks much the same as it did centuries ago.

The **Kasha-Katuwe Tent Rocks National Monument** was designated by Presidential proclamation on January 17, 2001. The 4,114-acre monument is located in north-central New Mexico between Albuquerque and Santa Fe. Kasha-Katuwe or "white cliffs" in Keresan—the traditional language for the Pueblo de Cochiti—is an unique geological area that features large, tent-shaped rocks that hug the steep cliffs of Peralta Canyon.

The rocks in the monument were created by the powerful forces of vulcanism and erosion, which have built up and then torn down this landscape. During the last million years, a tremendous volcanic explosion northwest of Kasha-Katuwe Tent Rocks spewed rock and ash for hundreds of square miles, leaving volcanic debris up to 400 feet thick. Over time, water cut into these deposits, creating canyons, arroyos, and other area features. The cone-shaped rock formations are wind- and water-eroded pumice and tuff deposits. Their hard, erosion-resistant caprocks protect the softer "tents" below. While uniform in shape, the tent rock formations vary in height from just a few feet to almost 100 feet.

The complex landscape and spectacular geologic scenery of the monument have been a focal point for visitors for centuries. Human settlement is believed to have begun in the monument as a series of campsites during the Archaic period, dating from approximately 5500 B.C. During the fifteenth century, several large ancestral pueblos were established in the area. Their descendants, the Pueblo de Cochiti, still inhabit the surrounding area. Although the Spanish explorer Don Juan de Oñate reached the Pajarito Plateau in 1598, it was not until the late eighteenth century that families began to claim land grants around Tent Rocks from the Spanish Crown. Remnants of human history are scattered throughout the monument.

The **Cascade-Siskiyou National Monument**, designated by Presidential proclamation on June 9, 2000, is located in southern Oregon, at the intersection of the Klamath and Cascade Mountains. The 52,947-

acre monument is home to a spectacular variety of rare and beautiful species of plants and animals, whose survival in this region depends upon its continued ecological integrity.

The monument is an ecological wonder, with biological diversity unmatched in the Cascade Range. It encompasses a rich enclave of biological resources at a biological crossroads—the interface of the Cascade, Klamath and Siskiyou ecoregions—in an area of unique geology, biology, climate, and topography. The ecology of the area is influenced by the region's extremely complex geology. Most of the monument lies within the relatively young, volcanic Cascade Range; however, the southwestern portion of the monument is in the much older Siskiyou Mountains. At 425 million years, the rocks of the Siskiyou Mountains are the oldest known in Oregon.

Plant communities present a rich mosaic of grass and shrublands, Garry and California black oak woodlands, juniper scablands, mixed conifer and white fir forests, and wet meadows. Stream bottoms support broad-leaf deciduous riparian trees and shrubs. Special plant communities include rosaceous chaparral and oak-juniper woodlands. The monument also contains many rare and endemic plants, such as Greene's Mariposa lily, Gentner's fritillary, and Bellinger's meadowfoam.

This monument supports an exceptional range of fauna, including one of the highest diversities of butterfly species in the United States. The Jenny Creek portion of the monument is a significant center of freshwater snail diversity and is home to three endemic fish species, including a long-isolated stock of redband trout. It contains important populations of small mammals, reptile and amphibian species, and ungulates, including important winter habitat for deer. It also contains old-growth habitat crucial to the threatened northern spotted owl, as well as numerous other bird species such as the western bluebird, the western meadowlark, the pileated woodpecker, the flammulated owl, and the pygmy nuthatch.

This geologically and ecologically diverse region has provided a home for native peoples for thousands of years. Numerous archaeological and historical sites, including areas of traditional cultural importance such as spiritual sites and root-gathering areas, are found throughout the monument. Archaeological surveys in the Cascade-Siskiyou National Monument have located close to 100 sites relating to native peoples' use of the area. These are typically areas where open meadows, oaks, and game, including deer and elk, still exist. The monument also contains remnants of the historic Oregon/California Trail. Rock alignments, blazed trees, and artifacts such as cast-off ox shoes document this historic route.

The **Grand Staircase-Escalante National Monument**, which was BLM's first national monument, was created by Presidential proclamation on September 18, 1996. It is located in southern Utah approximately 290 highway miles south of Salt Lake City and 250 miles east of Las Vegas. The 1,870,800-acre monument features a dramatic, multi-hued landscape that is rich in both natural and human history. It represents a unique combination of archaeological, historical, paleontological, geological, and biological resources.

The monument's strikingly beautiful and scientifically important lands are divided into three distinct regions: the Grand Staircase, the Kaiparowits Plateau, and the Canyons of the Escalante. The Grand Staircase consists of five great geological steps that ascend northward across the southwest corner of the monument. This Grand Staircase—the Chocolate, Vermilion, White, Gray, and Pink Cliffs—spans five different life zones from Sonoran desert to coniferous forests. It is a masterpiece of geological and biological diversity.

The Kaiparowits Plateau is a vast wedge-shaped block of mesas and deeply incised canyons tower above the surrounding canyonlands. This isolated, rugged plateau is refuge for wildlife, rare plants, and a few adventure-ready individuals equipped to handle profound solitude and uncompromising wild country. Kaiparowits is a Paiute name meaning "Big Mountain's Little Brother." Many sites from prehistoric cultures have been recorded on the Plateau, and many more are preserved for future study.

The Escalante River cascades off the southern flank of the Aquarius Plateau, winding through a 1,000-mile maze of interconnected canyons known as the Canyons of the Escalante. This magical labyrinth is one of the scenic wonders of the West. Even though Spanish explorer and priest Father Silvestre Velez de Escalante never saw the river, his is the namesake given by the Powell survey crew that discovered and named the Escalante River in 1872.

Three major plant communities meet in the monument, making it one of the richest floristic regions in the Intermountain West. Plants from the Mojave and Sonoran Deserts and the Great Basin are all found here, plus a few species from the Great Plains. In spite of its often barren appearance, the monument has a surprisingly diverse fauna. From elk that migrate to lower elevations in winter to pronghorns and pack rats, the monument is home to more than 300 species of amphibians, birds, mammals, and reptiles.

National Conservation Areas: The BLM manages 13 national conservation areas (NCAs) totaling almost 14 million acres. Congress designates national conservation areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. Table 11 shows the name, location, and BLM-managed acreage of these twelve areas.

Table 11 - National Conservation Areas

National Conservation Area	State	BLM Acreage	Other Federal Acreage	Non-Federal Acreage [1]	Total Acreage
Steese	Alaska	1,194,923	0	13,883	1,208,806
Gila Box Riparian	Arizona	22,047	0	0	22,047
Las Cienegas	Arizona	41,960	0	0	41,960
San Pedro Riparian	Arizona	56,400	0	0	56,400
California Desert	California	10,671,080	8,658,814	6,577,192	25,907,086
King Range	California	57,288	0	4,995	62,283
Colorado Canyons	Colorado	122,182	0	0	122,182
Gunnison Gorge	Colorado	57,725	0	0	57,725
Snake River Birds of Prey	Idaho	483,074	1,616	106,345	591,035
Black Rock Desert-High Rock Canyon Emigrant Trails	Nevada	815,068	0	16,432	831,500
Red Rock Canyon	Nevada	196,890	0	0	196,890
Sloan Canyon	Nevada	48,438	0	0	48,438
El Malpais	New Mexico	227,100	2,500	32,522	262,122
Total Acreage		13,994,175	8,662,930	6,751,369	29,408,474

[1] The amount of state and private land acreage encompassed in the National Conservation Area units is unknown at this time except as noted.

The **Steese National Conservation Area,** designated on December 2, 1980, is located approximately 70 miles northeast of Fairbanks, Alaska, and is set back from the Steese Highway (Alaska Route 2). Consisting of two sections that total 1,194,923 acres, the NCA is home to the Mount Prindle Region, the Birch Creek National Wild and Scenic River (designated as wild), crucial caribou calving grounds and home range, and Dall sheep habitat.

The Mount Prindle Region contains excellent examples of both glaciated landforms and periglacial features in close proximity. These illustrate how two sets of different cold-climate processes produce very different landscapes. At least four glacial advances spanning several hundred thousand years are evident. The small glaciers of Mount Prindle were isolated in a vast unglaciated region and were barely nourished by the ice age climates. The features marking the fluctuations of these small glaciers are useful in studies of past climates. Rock climbing and hunting are popular activities occurring within this area.

Birch Creek provides for a wide variety of primitive-based recreation opportunities. Float-boating in canoes or rafts, nature observation, fishing, and hunting are the major recreational activities. Attractive, natural campsites are abundant along the river. Winter activities include snowmobiling, cross-country skiing, and trapping. The Yukon Quest International Sled Dog Race between Fairbanks and Whitehorse traverses portions of Birch Creek National Wild River. Dog mushing is a popular winter activity within the Steese National Conservation Area, and the frozen Birch Creek makes a good winter "highway."

The **Gila Box Riparian National Conservation Area** was designated on November 28, 1990. This 22,047-acre area is located in southeastern Arizona near Safford. When Congress created the Gila Box Riparian National Conservation Area, the principal objective was to conserve, protect, and enhance the riparian and associated values of the area. Four perennial waterways— the Gila River, Bonita Creek, Eagle Creek, and San Francisco River—are vitally important to this remarkable place.

Not only does Gila Box hold one of the most significant riparian zones in the Southwest, but it also offers tremendous scientific, cultural, scenic, recreational, and other associated values. It is one of only two riparian national conservation areas in the Nation. Bonita Creek, popular for birding and picnicking, is lined with large cottonwoods, sycamores, and willows. The Gila River section is composed of patchy mesquite woodlands, mature cottonwood trees, sandy beaches, and grand buff-colored cliffs. Cliff dwellings, rock art, and historic homesteads show evidence of the occupation of this area by earlier man. Wildlife, including Rocky Mountain bighorn sheep, and over 200 species of birds make their home in this cool year-round desert oasis.

The **Las Cienegas National Conservation Area** was designated on December 6, 2000. This 41,960-acre area is located about 50 miles southeast of Tucson. Much of the area, which came under the management of the BLM in June 1988, was formerly part of several ranches.

Prior to the BLM's acquisition, this area faced an uncertain future that almost certainly included housing and commercial development. Such development would have eliminated the sweeping vistas and substantially harmed the watershed and habitat needed for rare native fish and a rich diversity of other wildlife. Pima and Santa Cruz County Supervisors officially requested that the BLM become involved in protecting this area.

This national conservation area includes a variety of unique and rare vegetative communities, including five of the rarest habitat types in the American Southwest: cienegas (marshlands), cottonwood-willow riparian forests, sacaton grasslands, mesquite bosques, and semi-desert grasslands. Cienega

Creek, with its perennial flow and lush riparian corridor, forms the lifeblood of the national conservation area. The area is home to a great diversity of plant and animal life, including several threatened or endangered species.

Rare prehistoric sites, historic travel routes, mines, and mining towns are all present in the national conservation area. The Empire Ranch House, listed on the National Register of Historic Places, is currently being restored. Scientists believe humans occupied this area as long as 12,000 years ago.

The **San Pedro Riparian National Conservation Area** was designated on November 18, 1988. This 56,400-acre area is located in southeastern Arizona between the international border (United States and Mexico) and St. David, Arizona. The primary purpose for the designation was to protect and enhance the desert riparian ecosystem, a rare remnant of what was once an extensive network of similar riparian systems throughout the Southwest.

Wildlife abounds because of the abundant food, water, and cover within and surrounding the riparian zone. The national conservation area supports over 350 species of birds, 80-plus species of mammals, two native fish species, several introduced species of fish, and more than 40 species of amphibians and reptiles. The area attracts thousands of bird-watchers from all over the world each year because roughly half of the number of known breeding species in North America are represented in this area.

The national conservation area contains over 250 recorded prehistoric and historic sites and is likely to contain many more. These range from sites dating back approximately 11,000 years from the Clovis Culture to the Presidio (fortified settlement) Santa Cruz de Terrenate that was established by Spanish troops in 1775 or 1776, and the ruins of some 19th century mining towns.

The **California Desert National Conservation Area** was designated on October 21, 1976. Its 10,671,080 acres account for more than two-thirds of the total national conservation area acreage managed by the BLM. This desert area offers scenic beauty in its vast sandscapes and rugged canyon gorges.

Scientists recognize three deserts within the California Desert: the Mojave, the Sonoran, and a small portion of the Great Basin. In the California Desert, a variety of land forms, including valleys, bajadas, pediments, alluvial fans, rough-hewn mountain ranges, washes, sand dunes, and dry lakebeds, testify both to the geologic variety of this region and to its relative youth as a desert.

While the word "desert" usually brings to mind images of vast areas devoid of life, a wide variety of plant life actually flourishes within the California Desert Conservation Area. From the common creosote bush to an ancient stand of bristlecone pine, this vegetation furnishes food and shelter for equally varied wildlife populations. California's state reptile, the desert tortoise, is one of its most famous wildlife residents, but the area is also home for many others, including lizards, deer, migratory birds, kangaroo rats, bighorn sheep, and even several species of fish. Domestic cattle and sheep have grazed the area since the 1890s. Wild horses and burros— descendants of the Old West— still roam freely in the area.

The California Desert is one of the most highly mineralized regions in the Nation. Today's miners use advanced technologies to collect microscopic gold, rare earths, sodium, borates, phosphates, sand and gravel, and other important resources for our everyday lives.

The extremes of the desert climate have actually protected a variety of historic and cultural sites. Human use and habitation of the area long preceded European contact in the mid-16th century and acquisition of the area by the United States in the mid-19th century. Native American cultures hunted and foraged for food, set down permanent and seasonal village sites, mined and quarried for common and exotic stones, flood irrigated land

for agriculture, and traded goods through an elaborate network of foot trails.

The **King Range National Conservation Area** was designated on October 21, 1970. This 57,288-acre area encompasses 35 miles of remote coastline known as California's Lost Coast. A spectacular meeting of land and sea is the dominant feature of the area.

Mountains seem to thrust straight out of the surf, a precipitous rise unsurpassed on the continental United States coastline. King Peak, the highest point at 4,087 feet, is only three miles from the ocean. The King Range is severely folded and faulted. Three of the large "plates" that make up the earth's crust grind together just offshore. The King Range is at the edge of the North American Plate, which is being forced upward from the two offshore plates.

Offshore rocks, tidepools, and kelp beds are inhabited by seals, sea lions, and a variety of marine birds. California grey whales can be spotted offshore in winter and spring. The mountains are a mix of Douglas-fir forest, chaparral, and grassland, providing habitat for blacktailed deer, black bear, and Roosevelt elk. Nearly 300 species of native and migratory birds have been spotted in the King Range, making it a birders' paradise. The old-growth forest is important habitat for the northern spotted owl, bald eagle, and Coopers hawk.

The **Colorado Canyons National Conservation Area** was designated on October 24, 2000. Located in west-central Colorado, this national conservation area encompasses 122,182 acres and includes the 75,439-acre Black Ridge Canyons Wilderness.

This area is remarkable for its diverse landscape. The wilderness is dominated by seven spectacular red-rock canyons separated by high mesas. These sandstone canyons, which drain to the Colorado River, are 3 to 12 miles in length and almost 1,000 feet deep. Erosional features include arches, spires, windows, monoliths, fins, and alcoves. Many canyon floors have exposed black Precambrian rock with inner canyons that feature waterfalls and plunge pools.

Cottonwoods, willows, and box elders in the canyon bottoms shade hikers and contribute to outstanding primitive recreation opportunities. Pinyon-juniper woodlands dominate the upland mesas. Desert bighorn sheep, deer, elk, and mountain lion roam the wilderness.

The national conservation area includes numerous rock art sites and archaeological remains of the Fremont people. The Trail Through Time includes a dinosaur quarry—an ancient watering hole for thousands of dinosaurs over thousands of years—that is now an active paleontological dig site.

The **Gunnison Gorge National Conservation Area** was designated on October 21, 1999. Consisting of 57,725 acres, this area is located in west-central Colorado, just

Visitors enjoy a raft trip through the Gunnison Gorge in Colorado.

downstream from the Black Canyon of the Gunnison National Park.

The national conservation area encompasses a diverse landscape ranging from "adobe badlands" and rugged pinyon-juniper-covered slopes to the spectacular double canyon of the Gunnison Gorge Wilderness Area. Humans have utilized this area for 13,000 years, and archeological evidence from Paleo-Indian hunters to the later Archaic and protohistoric Ute cultures is scattered throughout the gorge.

This national conservation area supports an equally diverse range of recreational uses: white-water boating and Gold Medal trout fishing in the Gunnison River, big-game hunting for mule deer and elk, off-highway vehicle use in Peach Valley, domestic sheep and livestock grazing, sightseeing, wildlife photography, and wilderness hiking and backpacking.

The **Snake River Birds of Prey National Conservation Area**, which was designated on August 4, 1993, is located only 20 miles south of Boise, Idaho. The Snake River Birds of Prey National Conservation Area contains 483,074 acres and includes 81 miles of the Snake River, 65,000 acres of critical nesting raptor (bird of prey) habitat, and almost 420,000 acres of prey habitat.

The national conservation area is home to the densest concentration of nesting raptors in North America and one of the densest such concentrations in the world. Canyon walls along the Snake River, ranging up to 600 feet high, provide abundant nest sites for the raptors. More than 800 pairs of raptors representing 15 species nest here, including eagles, falcons, hawks, and owls. An additional nine raptor species use the area during migrations or as wintering areas. Deep, wind-blown soils cover expansive plateaus above the canyon.

An unusual variety and high number of small mammals burrow in the fine textured soils and find food and cover in the dense grasses and shrubs that grow on the plateau. The abundant prey and soft soils support one of the densest badger populations in the world. Mammals such as Paiute ground squirrels, blacktailed jackrabbits, pocket gophers, kangaroo rats, and deer mice are common prey species for the raptors.

The Snake River Canyon within the national conservation area contains some of the oldest and most remarkable archaeological sites in Idaho. Over 200 sites are recorded, including numerous outstanding petroglyphs. Human occupation has been dated to 10,000 B.C. The Black Butte-Guffrey Butte Archaeological District, listed on the National Register of Historic Places, is located entirely within the national conservation area.

The **Black Rock Desert-High Rock Canyon Emigrant Trails National Conservation Area** was designated on December 21, 2000, and includes 815,068 acres of BLM-managed public lands in northwestern Nevada. It protects the last nationally significant, untouched segments of the historic California emigrant trails, including wagon ruts, historic inscriptions, and a wilderness landscape largely unchanged from when pioneers moved westward in the 1800s.

One of the national conservation area's most prominent geologic features is the Black Rock Desert Playa, where the curvature of the Earth may be observed. This playa is a remnant of the ancient Lake Lahontan and is one of the largest playas in the world. Some of the largest natural potholes in North America also are located in the national conservation area.

The Black Rock Desert and High Rock Canyon areas are unique segments of the Northern Great Basin and contain broad representation of the Great Basin's land forms and plant and animal species, including golden eagles and other birds of prey, sage grouse, mule deer, pronghorn antelope, bighorn sheep, free-roaming horses and burros, threatened fish, and sensitive plants.

The national conservation area includes segments of historic California emigrant trails and a portion of the John C. Fremont exploration route. These trails include wagon ruts and historic inscriptions in settings nearly unchanged from pioneer days. The area also includes numerous prehistoric and historic Native American sites, including woolly mammoth sites.

The **Red Rock Canyon National Conservation Area** was designated on November 16, 1990. This 196,890-acre area is located 10 miles west of Las Vegas, Nevada. It features unique geologic formations, plants, and animals that represent some of the best examples of the Mojave Desert.

The most significant geologic feature of Red Rock Canyon is the Keystone Thrust Fault. About 65 million years ago, it is believed that two of the Earth's crustal plates collided with such force that part of one plate of gray limestone was thrust up and over the younger red sandstone. The Keystone Thrust Fault extends from the Cottonwood Fault (along State Route 160) thirteen miles northward to the vicinity of La Madre Mountain, where it is obscured by more complex faulting. More than one million visitors each year enjoy these spectacular landscapes as well as numerous climbing and hiking opportunities and interpretative programs sponsored by the BLM.

Scant rainfall and scarce permanent water, along with desiccating winds and high temperatures, make this a harsh environment for plants and wildlife, yet a surprising number of plants and animals inhabit the national conservation area. Over 100 bird species, 45 mammal species, and a variety of reptiles and amphibians, including the threatened desert tortoise, can be found.

For much of the past 600 million years, the land that is now Red Rock Canyon National Conservation Area was the bottom of a deep ocean basin and the western coast of North America was in present-day western Utah. A rich variety of marine life flourished in those waters, leaving behind deposits of shells and skeletons more that 9,000 feet thick that were eventually compressed into limestone and similar carbonate rocks. Petroglyphs are also found in Red Rock Canyon.

The **Sloan Canyon National Conservation Area** was designated on November 6, 2002, and is the most recently designated national conservation area. It includes 48,438 acres and is located about 15 miles south of Las Vegas, Nevada. Sloan Canyon contains unique scenic and geological features and extraordinary cultural resources. The NCA includes the northern portion of the McCullough Range, which is volcanic in origin. The peaks are rounded, with a steep eastern escarpment and a gradual western slope. Elevations span from 2,000 feet at the eastern base of the range to 5,092 feet at Black Mountain. The ridgeline offers excellent views of the Las Vegas valley, numerous ranges, and the Eldorado and Jean dry lakes. The area primarily supports a creosote bush community comprising barrel cactus, Joshua trees, cholla, and prickly pear.

The most interesting cultural resources consist of petroglyphs, which are Native American carvings etched into the canyon walls. Over 1,700 individual design elements on more than 300 rock panels have been documented. Archaeologists believe the petroglyphs represent native cultures dating from the Archaic to the Historic era. It is thought that Native Americans hunted bighorn that came into the canyon to obtain water from natural tanks that filled during the late July and early August rainy season.

The **El Malpais National Conservation Area** was designated on December 31, 1987, and includes 227,100 acres south of Grants, New Mexico, and west of Albuquerque. El Malpais translates to "the badlands" in the original Spanish. El Malpais is managed by a joint effort between the National Park Service

and the BLM. The area features some of the Nation's most significant geological, cultural, scenic, scientific, and wilderness resources surrounding the rugged Grants Lava Flows.

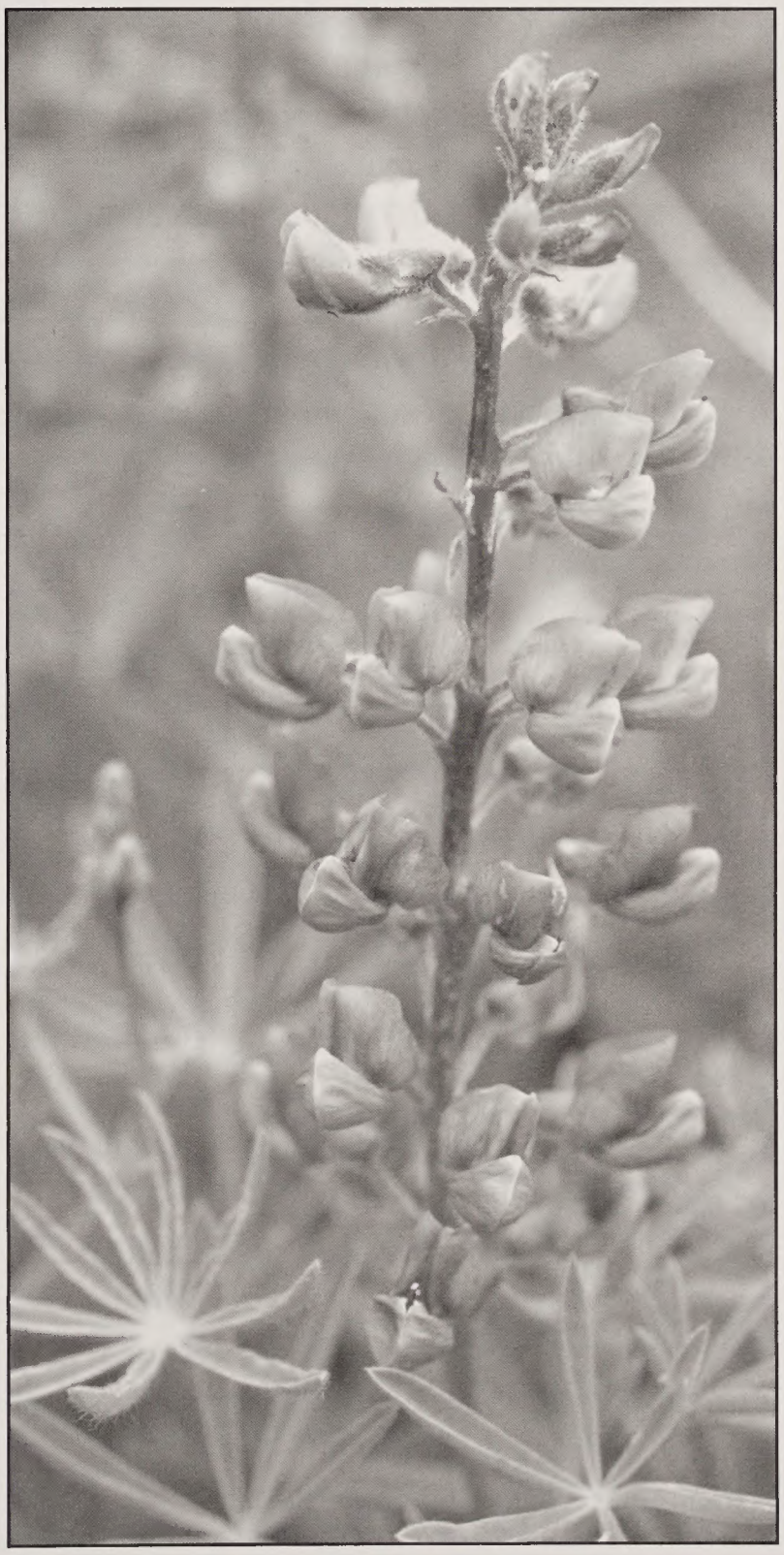
Volcanic features such as lava flows, cinder cones, pressure ridges, and complex lava tube systems dominate the landscape. Closer inspection reveals unique ecosystems with complex relationships. Sandstone bluffs and mesas border the eastern side, providing access to vast wilderness.

For more than 10,000 years, people have interacted with the El Malpais landscape. Historic and prehistoric sites provide connections to the past. More than mere artifacts, these cultural resources are kept alive by the presence of contemporary Indian groups, including the Puebloan peoples of Acoma, Laguna, and Zuni, and the Ramah Navajo. These tribes continue their ancestral uses of El Malpais, gathering herbs and medicines, paying respect, and renewing ties.

Cooperative Management and Protection Area: The BLM manages one cooperative management and protection area. The Steens Mountain Cooperative Management and Protection Area, which was designated by Congress on October 30, 2000, consists of 425,550 acres of rugged landscape in southeastern Oregon. The Steens Mountain Advisory Council was established. Cooperative and innovative management projects will be maintained and enhanced between the BLM, private landowners, tribes, and other public interests.

This fault-block range offers a diversity of natural systems that is unique to the northern Great Basin region. From the valley floor of the Alvord Desert at 4,200 feet elevation to the east rim of the fault-block at 9,700 feet elevation, Steens Mountain rises 5,500 feet in less than three miles. The mountain is approximately 60 miles in length, extending from Riddle Mountain on the north to Alvord Peak and Long Hollow on the south. Its width is approximately 40 miles from the Alvord Desert on the east, across the fault-block to the Blitzen and Catlow Valleys on the west. Steens Mountain offers exceptional ecological and geological diversity.

The mountain provides visitors with spectacular views of deep, glacial gorges; stunning, colorful alpine wildflower meadows; high desert communities; and the opportunity to see pronghorn antelope, elk, mule deer,



Multi-colored lupine found on the east side of Steens Mountain. ***Lupinus laxiflorus*** **is the botanical name.**

bighorn sheep, and raptors. The designating legislation created the Donner and Blitzen Redband Trout Reserve to conserve, protect, and enhance redband trout and provide opportunities for research and education. The 52-mile Steens Mountain Backcountry Byway offers access to four campgrounds on the mountain and affords remarkable views of Kiger Gorge.

In 1860, Major Enoch Steen was sent by the U.S. Army to protect the settlers from Indians and to determine the feasibility of a road from southeastern Oregon to the Willamette Valley. His party established several military posts in the area. The remains of a number of homestead cabins and ranch buildings also dot the area.

National Recreation Area: A national recreation area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The White Mountains National Recreation Area in Alaska encompasses 998,772 million acres and is named for its unusual, jagged, white limestone ridgeline. One of its most prominent features is a 127-mile national wild river segment of Beaver Creek, which flows from the high alpine tundra of Mount Prindle.

Outstanding Natural Area: Outstanding natural areas are protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head Outstanding Natural Area, consisting of 100 acres.

The Yaquina Head Outstanding Natural Area, located in Newport, Oregon, was established by Public Law 96-199 on March 5, 1980. Yaquina Head encompasses a headland one mile long and one-half mile wide that juts due west into the Pacific Ocean. It is dominated by the Yaquina Head Lighthouse, a National Historic Register structure. The natural resources include one of four marine gardens in Oregon, one of the largest seabird rookeries on the Pacific coast, the world's only manmade handicapped-accessible tidepools (in a restored quarry), marine mammal resting sites, and gray whale viewing, as well as bird and wildflower viewing opportunities in the uplands.

Yaquina Head has been designated as a *Globally Important Bird Area* by the American Bird Conservancy and the National Audubon Society. The area, which is bordered by sheer cliffs rising 100 feet or more above the ocean, features sea caves and numerous off-shore rocks and islands, making the site spectacular to view under all weather conditions.

Wilderness Areas and Wilderness Study Areas: The BLM administers 161 wilderness areas comprising over 6.5 million acres, as well as 624 wilderness study areas encompassing more than 15.5 million acres. More than eight percent of all the BLM-managed public lands are designated as either a wilderness or wilderness study area.

The locations of these wilderness areas and wilderness study areas throughout the western United States ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands. Table 12 shows the location, number, and acreage of wilderness and wilderness study areas managed by the BLM.

Table 12 - Wilderness and Wilderness Study Areas

State	Wilderness Areas		Wilderness Study Areas	
	Number	Acreage	Number	Acreage
Alaska	0	0	1	784,238
Arizona	47	1,396,466	2	63,930
California	76	3,621,312	77	974,769
Colorado	4	139,524	54	621,737
Idaho	1	802	66	1,341,709
Montana	1	6,000	40	450,823
Nevada	24	990,319	85	3,822,421
New Mexico	3	139,281	60	970,532
Oregon	4	186,723	97	2,701,190
Utah	3	27,720	99	3,255,490
Washington	1	7,140	1	5,518
Wyoming	0	0	42	575,841
Total	161 [1]	6,515,287	624	15,568,198

[1] Figures in the wilderness areas number column do not add up to the total shown because some wilderness areas cross State lines and are reported in the number count for each State. The total shown in the wilderness areas number column is the actual number of wilderness areas.

Wilderness areas are designated by Congress and are defined by the Wilderness Act of 1964 as a place "where the earth and its community of life are untrammeled by man, where man himself is a visitor who does not remain." Designation is aimed at ensuring that these lands are preserved and protected in their natural condition. Wilderness areas, which are generally at least 5,000 acres in size, offer outstanding opportunities for solitude or a primitive and unconfined type of recreation; such areas may also contain ecological, geological, or other features that have scientific, scenic, or historical value.

A wilderness study area (WSA) is designated by a Federal land management agency as having wilderness characteristics, thus making it worthy of consideration by Congress for wilderness area designation. While Congress considers whether to designate a wilderness study area as a permanent wilderness area, the Federal land management agency, including the BLM, manages the wilderness study area to prevent impairment of the areas' suitability for wilderness designation.

National Wild and Scenic Rivers: The BLM administers some 20 percent of all rivers in the National Wild and Scenic Rivers System, a total of 38 rivers in five states. These nationally recognized rivers comprise more than 2,000 river miles and encompass some of the Nation's greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river (392 miles) in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories, depending on the extent of development and accessibility along each section. In addition to being free flowing, these

rivers and their immediate environments must possess at least one outstandingly remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

Table 13 shows the location, number, mileage, and acreage of the national wild and scenic rivers managed by the BLM.

Table 13 - National Wild and Scenic Rivers

State	Number	Mileage	Acreage
Alaska	6	952	609,280
California	6	78	24,800
Montana	1	149	89,300
New Mexico	2	71	22,720
Oregon	23	811	259,552
Total	38	2,061	1,005,652

Headwaters Forest Reserve: On March 1, 1999, the Headwaters Forest Reserve, totaling 7,400 acres in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened coho salmon and other fisheries.

The reserve contains the headwaters of Salmon Creek, portions of the South Fork Elk River watershed, and the entire Little South Fork Elk River watershed. Approximately 3,000 acres of the reserve is old-growth forest that does not contain roads. The remaining 4,400 acres is covered by previously logged forests of various ages. The logged areas contain numerous roads and skid trails that were used to haul the logs to the mills.

The Elk River and Salmon Creek watersheds once supported abundant runs of native chinook salmon, coho salmon, and steelhead. Salmonid stocks of each of these species have declined significantly.

National Trails System: Since the passage of the National Trail System Act in 1968, the BLM has assumed responsibility for 5,203 miles along twelve national scenic and historic trails designated by Congress. These long-distance trails are among BLM's "Great American Landscapes," showcasing the exploration, westward migration, historic events, and scenic splendor of our country. The BLM manages well over 85 percent of all of the Federal miles along national historic trails. National recreation trails, while not part of the National Landscape Conservation System, are a part of the National Trail System Act and are designated each year by the Departmental Secretary having jurisdiction over the particular trail area.

The BLM's national trails program includes signing, maintenance, protection, coordination of volunteers, planning, interagency coordination, patrol, monitoring, visitor information, and interpretation. Partnerships with many trail organizations help the BLM's management efforts. The BLM works closely with the Partnership for the National Trails System and affiliated organizations on many volunteer projects and related conferences.

Two visitor/interpretive centers, the National Historic Oregon Trail Interpretive Center (Baker, Oregon) and the National Historic Trails Interpretive Center (Casper, Wyoming), offer important visitor services. These centers seek to foster understanding, respect, appreciation, and support for trail resources, protection programs, and related recreational activities. The National Historic Trails Interpretive Center located in Casper, Wyoming, is operated by the BLM in partnership with the National Historic Trails Center Foundation and the City of Casper. The Center tells the stories of those who traveled along the Oregon, Mormon Pioneer, California, and Pony Express National Historic Trails. In addition, it focuses on Native American issues and presents trail stories from the regional

Bridger and Bozeman Trails. For information on the National Historic Oregon Trail Interpretative Center, please see the Museum Collections – Collections in Federal Facilities section found later in this report.

The BLM has two additional interpretative centers that will open in the near future. The El Camino Real International Heritage Center (Socorro, New Mexico), a joint project between the BLM and the State of New Mexico, is moving towards completion. The State has received the keys from the contractor; a pre-view ribbon cutting ceremony was held for contributors in September 2003. The State has pledged $1 million towards permanent exhibits, and the Center is expected to open its doors in the fall of 2004. The California National Historic Trail Interpretative Center (Elko, Nevada), currently under construction, is scheduled to be opened in the summer of 2006.

The BLM manages 4,843 miles along ten **National Historic Trails**. These ten trails are the Iditarod, Juan Bautista De Anza, California, Nez Perce, Lewis and Clark, El Camino Real de Tierra Adentro, Oregon, Mormon Pioneer, Pony Express, and, as of December 2002, the Old Spanish National Historic Trail.

On December 4, 2002, President George W. Bush signed Public Law 107-325, a bill amending the National Trails System Act to designate the Old Spanish Trail as a National Historic Trail. Interior Secretary Gale Norton recently signed a memorandum asking the BLM and the NPS to jointly administer this trail, similar to the El Camino Real de Tierra Adentro Trail. The 2,700-mile Old Spanish Trail follows three routes joining Santa Fe, New Mexico, with Los Angeles, California. It was significant as a Mexican trade route between Santa Fe and Los Angeles in the 1840s. At that time, Santa Fe served as a continental hub of international trade, linked to the east by the Santa Fe Trail and to the south by El Camino Real de Tierra Adentro (both already designated national historic trails). This trade had major impacts on both Euro-Americans and American Indians in the Great Basin and beyond. Approximately 913 miles are on BLM-administered land.

In Alaska, the Iditarod was one of the first national historic trails to be designated. It has a history of use as part of a migration route across the Bering Land Bridge that may predate all other historic trails. It has been used as a transportation and trade route by Alaska natives as well as during the period of Russian control of Alaska. During the late 19th and early 20th centuries, the Iditarod was used as a migration route from the Bering Sea to the Interior. Today it is used for competitive events such as the Sled Dog Race and Gold Rush Snowmobile Classic, and as a transportation corridor between villages during Alaska's long winter.

The Lewis and Clark National Historic Trail played a critical role in American exploration and the fur trade during the early years of our Nation's existence and growth. There is rare but intriguing archaeological evidence suggesting that this trail served earlier Indian travelers, perhaps for several thousand years before the historic period. The array of cultural phenomena, from isolated occurrences to surviving single-tread and historic wagon road remnants, affords an ancient and enriching perspective of both Euroamerican and Native American heritage in this region of the American West. The commemoration events for this trail will continue through 2006.

The 1,200-mile El Camino Real de Tierra Adentro (Spanish for "the royal road of the interior") was created by Spanish explorers in the 16th century as a link between Mexico City and the original capital city of San Juan Pueblo, New Mexico. The United States portion of the trail is the first trail jointly administered by the BLM and the National Park Service.

National Scenic Trails on BLM lands pass through many diverse landscapes with high scenic quality, including deserts, chapparal, marshes, grasslands, mountains, canyons, rivers,

and forests. The BLM manages 627 miles along two national scenic trails—the Continental Divide National Scenic Trail and the Pacific Crest National Scenic Trail.

The Continental Divide National Scenic Trail traverses the Rocky Mountains between Canada and Mexico for 3,100 miles through five states. The BLM manages approximately 409 miles of this trail as it passes through spectacular country that includes the mountains of Montana and Idaho, the high desert of the Great Divide Basin in Wyoming, and New Mexico's Sonoran Desert. The Continental Divide Trail Alliance (CDTA) collects valuable data along the trail corridor from north to south. This nonprofit organization assists agencies by providing to facilitate the management and operation of the trail.

The Pacific Crest National Scenic Trail, stretching 2,600 miles from Mexico to Canada, traverses some of the most magnificent backcountry in California, Oregon, and Washington. The trail treks over hills and through valleys, ranging in elevation from more than 13,000 feet near Mount Whitney to near sea level at the Columbia River. The path wanders across canyons, meanders by lakes, climbs mountain passes, and navigates through arid desert. Three BLM offices in California manage 189 miles of the trail, while Oregon BLM manages 42 miles in the southern part of that state. Volunteers from the Pacific Crest Trail Association and many other groups are essential in keeping the BLM segments of the trail open and maintained.

Visitors enjoy a hike along the Pacific Crest National Scenic Trail in California.

National Recreation Trails do not require congressional approval; they are established administratively by the Secretary of the Interior. These trails provide a variety of outdoor recreation uses and opportunities in both remote and urban areas. The BLM manages 459 miles along 31 national recreation trails. These encompass incredibly diverse landscapes, ranging from the Pacific Ocean beach along the Lost Coast National Recreation Trail to the desert of the Organ Mountains in New Mexico and the 9,000-foot crest of Bald Mountain in Idaho. National recreation trails range in length from 0.5 mile to 150 miles on BLM lands. More than 800 national recreation trails currently exist nationwide.

National Back Country Byways: The National Back Country Byway program was developed by the BLM to complement the National Scenic Byway program. The BLM's back country byways show enthusiasts the best the West has to offer in a trip off the beaten path—from the breathtaking thunder of waterfalls to geology sculpted by ancient volcanoes, glaciers, and rivers. Most of these byways are native surface or gravel base roads tracing across vast stretches of land. However, Back Country Byways can fall into one of four category types, ranging from paved all-weather roads suitable for normal passenger vehicles, to single-track trails suitable only for dirt bikes, mountain bikes, or snowmobiles during winter season.

The BLM's Back Country Byways provide outstanding recreation opportunities across a variety of landscapes, ranging from soaring mountains and alpine meadows to sagebrush prairie and saguaro cactus desert. Most byways traverse remote country, providing solitude and spectacular scenery. Many provide an important economic stimulus to connecting rural western towns.

Back Country Byways explore Oregon's lush Coast Range, thread over Colorado's lofty San Juan Mountains, follow Lewis and Clark's epic journey across Montana and Idaho, pass ancient Anasazi petroglyphs in Utah, and border the Rio Grande's wild gorge in New Mexico. Travelers can find deserted forts, ghost towns, fossils, wildlife, hot springs, and dormant volcanoes along these narrow ribbons through the Nation's public lands.

The BLM currently manages 55 designated National Back Country Byways totaling 2,952 miles in eleven states. The most recent addition to the program is the Big Sky Back Country Byway in Eastern Montana, which crosses a landscape of rolling prairie and "dry-land" farmland against a backdrop of breathtaking "big-sky" vistas. The Big Sky Back Country Byway stretches for over 100 miles in a north-south route connecting to the Missouri and Yellowstone River trails, made famous by the historic journey of Lewis and Clark during 1804-1806. The byway follows old travel routes used by the military and Native Americans, passes world-class cultural treasures, provides access to large tracts of public lands, and serves as an economic stimulus to local communities along the three state highways the route covers.

Travelers on the Gold Belt Tour National Scenic Byway in Colorado should be prepared for narrow, winding routes and unexpected encounters with local inhabitants, such as these sheep on Shelf Road.

In addition to the National Back Country Byways, approximately 20 state or nationally designated scenic byways, totaling nearly 2,500 miles, traverse BLM lands across seven states. A few of these include the Billy the Kid Trail Scenic Byway in New Mexico, the Rogue-Umpqua National Forest Scenic Byway in Oregon, and the Gold Belt Tour Scenic Byway in Colorado (also a BLM Back Country Byway).

National Scenic Area: The BLM manages one national scenic area: the Santa Rosa Mountains National Scenic Area in California, which encompasses approximately 101,000 acres. This area was designated by the Secretary of the Interior in 1990 to provide for the conservation, protection, and enhancement of scenic, recreation, and pastoral values. In 2002 this area was also included in the recently designated Santa Rosa/San Jacinto Mountains National Monument (see above).

Lake Todatonten Special Management Area: The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area—a 37,579-acre parcel of public land in Interior Alaska for the protection of fish, wildlife and habitat—in its Omnibus Parks and Public Lands Management Act of 1996 (Public Law 104-333). The area was withdrawn by Public Land Order No. 7372 on December 15, 1998.

Lake Todatonten, the central feature of this special management area, measures 3½ miles

long and covers 3,500 acres. This shallow lake is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

Residents of four Alaska Native villages near the area are the primary users, since there are no roads to this marshy area. The rural residents hunt, fish, and trap in the area, mostly in the winter, when it can be reached by snowmachine or dog team via the 100-mile Allakaket to Tanana winter trail, which passes near the lake. The Alaska National Interest Lands Conservation Act (ANILCA) of 1981 gave rural residents subsistence preference for natural resources on federally managed lands.

The designation of the special management area will include the establishment of a local advisory committee of rural village residents who use the area for subsistence hunting and fishing. The BLM will consult with this committee before authorizing new activities in the area. The BLM also works closely with the U.S. Fish and Wildlife Service because the Lake Todatonten Special Management Area is adjacent to the Kanuti National Wildlife Refuge, and many of the waterfowl species use both places for their summer activities.

Herd Management Areas: The Wild Free-Roaming Horse and Burro Act of 1971 requires that wild free-roaming horses and burros be considered for management where they were found at the time Congress passed the Act. The BLM established herd management areas (HMAs) for wild and free-roaming horses and burros through its land use planning process. The BLM currently manages 200 HMAs in ten western states: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, and Wyoming. In addition, the BLM manages one additional HMA in Nevada on behalf of the Department of Defense. The current population of wild horses and burros on public lands in these states is 37,186 animals, with about 50 percent of these animals being located in Nevada. Wild burros are primarily found in the Mojave desert in Arizona, California, and southern Nevada. Table 14 shows the location, number, and acreage of herd management areas, as well as the total number of animals, by state.

Table 14 - Herd Management Areas

State	Number of HMAs	Acreage	Total Number of Horses and Burros
Arizona	7	1,727,669	2,133
California	22	2,330,943	4,129
Colorado	4	364,467	767
Idaho	6	397,190	634
Montana	1	28,255	161
Nevada [1]	101	15,827,077	18,985
New Mexico	2	32,701	115
Oregon	19	2,712,172	3,085
Utah	22	2,413,952	2,745
Wyoming	16	3,664,002	4,381
Totals	200	29,498,428	37,135

[1] The BLM also manages one additional HMA consisting of 601,986 acres in Nevada on behalf of the Department of Defense.

As the table shows, almost 30 million acres of BLM-managed lands have been designated for wild and free-roaming horses and burros. Through the evaluation of rangeland monitoring and census data for HMAs, the BLM establishes an appropriate management level for wild horses and burros in balance with other rangeland uses. As the health of the land improves, the health of the herds is improving as well.

The BLM has designated three wild horse ranges, one each in Colorado, Montana, and Nevada, and one wild burro range in Nevada. The Bureau manages these ranges principally, but not necessarily exclusively, for the welfare of wild horses and burros, in keeping with the

multiple use management concept for these public lands.

Areas of Critical Environmental Concern: Areas of critical environmental concern (ACECs) are areas where special management is needed to protect important historical, cultural, scenic, and natural areas, or to identify areas hazardous to human life and property. A total of 914 ACECs encompassing almost 13 million acres have been designated on the public lands nationwide. Approximately 7 million acres of this total have been designated to protect their biological resource values. Table 15 shows the location, number, and acres of ACECs, which are designated and protected through the land use planning process.

Table 15 - Areas of Critical Environmental Concern

State	Number of ACECs	Acreage
Alaska	41	4,545,920
Arizona	50	638,110
California	143	1,664,108
Colorado	66	621,589
Eastern States	2	239
Idaho	95	580,973
Montana	43	248,576
Nevada	36	1,358,234
New Mexico	151	595,001
Oregon	190	746,278
Utah	59	1,267,389
Wyoming	38	696,894
Totals	914	12,963,311

National Natural Landmarks: The BLM manages 45 national natural landmarks encompassing 417,429 acres of public land. These special management areas are of national significance because they represent one of the best-known examples of a natural region's characteristic biotic or geologic features. Table 16 shows the location, number, and acreage of the national natural landmarks managed by the BLM.

Table 16 - National Natural Landmarks

State	Number of National Natural Landmarks	Acreage
Arizona	2	4,398
California	9	76,997
Colorado	2	1,036
Idaho	5	212,640
Montana	3	14,227
Nevada	2	9,600
New Mexico	6	9,927
Oregon	1	600
Utah	3	33,760
Washington	6	6,114
Wyoming	6	48,130
Total	45	417,429

National natural landmarks must be located within the boundaries of the United States or on the Continental Shelf and are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

Research Natural Areas: Research natural areas are special management areas designated either by Congress or by a public or private agency to preserve and protect typical or unusual ecological communities, associations, phenomena, characteristics, or natural features or processes for scientific and educational purposes. They are established and managed to protect ecological processes, conserve biological

diversity, and provide opportunities for observation for research and education.

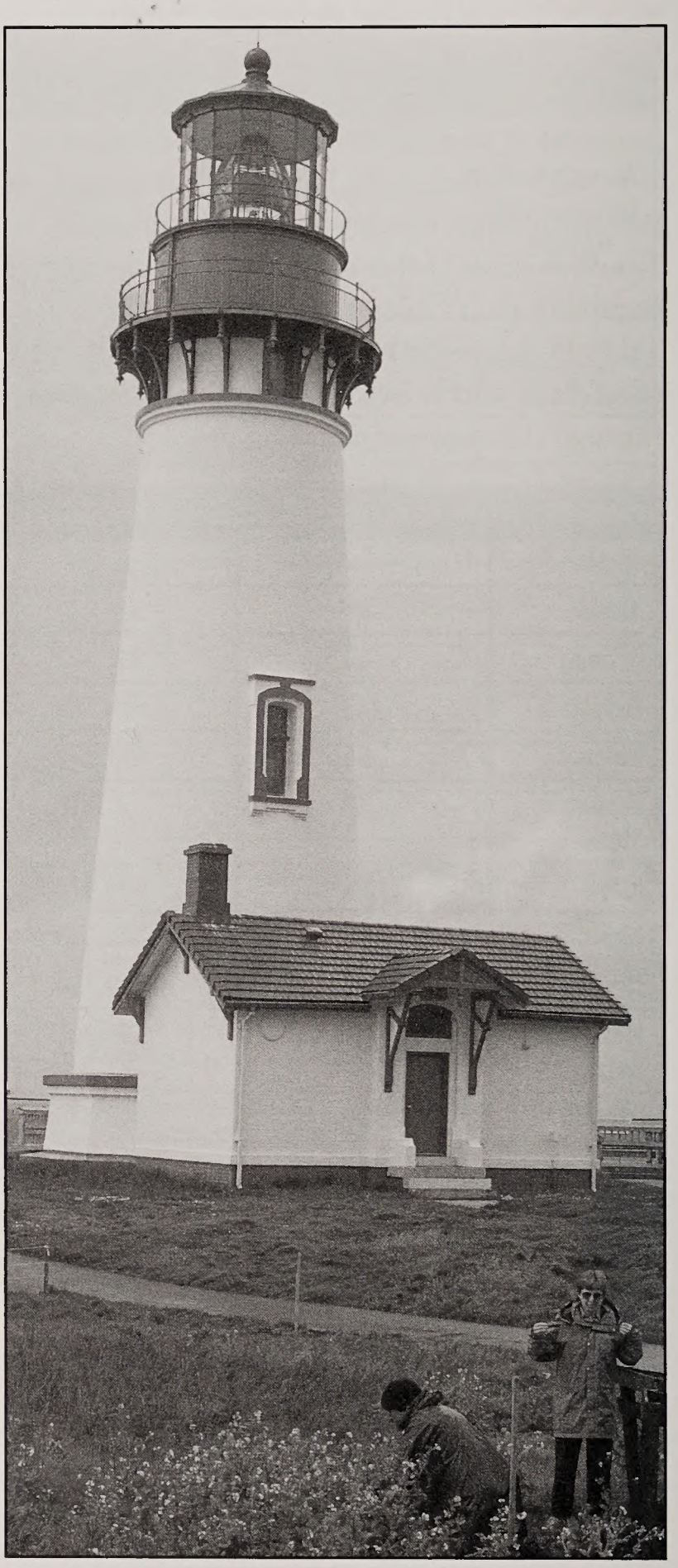
Research natural areas may be designated separately or as a part of other administrative designatio ns such as areas of critical environmental concern. Research proposals and activities may be allowed if they do not interfere with natural processes. These areas may consist of diverse vegetative communities, wildlife habitat, unique geological formations, cultural resource values, and other values identified by physiographic province as outlined in state or agency natural heritage planning documents. The BLM manages 184 research natural areas comprising 426,566 acres. Table 17 shows the location, number, and acreage of the research natural areas managed by the BLM.

Table 17 - Research Natural Areas

State	Number of RNAs	Acreage
Alaska	14	141,361
Arizona	9	14,056
California	15	43,512
Colorado	10	4,665
Idaho	50	45,181
New Mexico	12	27,852
Oregon	72	143,486
Utah	2	6,453
Totals	184	426,566

Globally Important Bird Areas: Globally important bird areas (IBAs) consist of a network of sites and areas in North America identified and protected to maintain naturally occurring bird populations across the ranges of those species. IBAs are important for maintaining critical habitats and ecosystems. This network of areas encompasses lands critical to the conservation of some bird species and may include the best examples of the species' habitat. IBAs help ensure species' survival.

The BLM manages two IBAs encompassing approximately 56,500 acres: the San Pedro Riparian National Conservation Area in Arizona and the Yaquina Head Outstanding Natural Area in Oregon.



A classic example of 1870s lighthouse design, the Yaquina Head Lighthouse's 93-foot tower was built with supplies brought in by boat.

Change in Natural Heritage Assets from 2003 to 2004

Table 18 provides the net change in the number of natural heritage designations from fiscal year 2003 to fiscal year 2004.

Table 18 - Change in Natural Heritage Designations

Special Management Area Type	Number				
	2003 Balance	2004 Increase	2004 Decrease	2004 Net Change	2004 Balance
National Monuments	15				15
National Conservation Areas	13				13
Cooperative Management and Protection Area	1				1
White Mountains National Recreation Area	1				1
Yaquina Head Outstanding Natural Area	1				1
Wilderness Areas	161				161
Wilderness Study Areas	604	22	(2)	20	624
National Wild and Scenic Rivers	38				38
Headwaters Forest Reserve	1				1
National Historic Trails	10				10
National Scenic Trails	2				2
National Recreation Trails	29	2		2	31
National Back Country Byways	56		(1)	(1)	55
Santa Rosa San Jacinto Mountains National Scenic Area	1				1
Lake Todatonten Special Management Area	1				1
Herd Management Areas	206		(6)	(6)	200
Areas of Critical Environmental Concern	907	25	(18)	7	914
National Natural Landmarks	45				45
Research Natural Areas	184				184
Globally Important Bird Areas	2				2

Museum Collections

Museum collections under BLM's stewardship consist principally of archaeological, historical, and paleontological materials that are managed to professional standards in compliance with applicable laws, and that are accessible to the public.

- Archaeological and Historical Collections: Millions of museum objects have originated from the BLM's archaeological and historical resources (an estimated 4 to 4.5 million cultural properties on the ground). These span millennia, beginning with very early human occupation sites. Resources include trails, sites, buildings, structures, and objects from past human life and activities that are significant to American history, architecture, archaeology, engineering, and culture, and that contribute to our understanding of the historical and cultural foundations of our Nation.

- Paleontological Collections: Paleontological materials — the fossilized remains or traces of dinosaurs, extinct plants, mammals, fish, insects, and other organisms from the distant past—are another important source of museum collections that originate from BLM- managed lands. Many of the earliest described and most widely known dinosaurs, such as Apatosaurus, Stegosaurus, and Allosaurus, were excavated from BLM-managed lands. Public lands continue to yield new fossil finds and exciting discoveries that shed light on the history of life. Fossils of the smallest mammal and one of the largest dinosaurs that ever walked the earth were found on public lands. Paleontologists continue to explore and contribute new information about plants and animals that lived as much as 540 million years ago.

Collections are used to teach museum visitors, from diverse walks of life and ethnic and educational backgrounds, about life in the past. Researchers value the collections from public lands as a source of material for scientific data that becomes a permanent part of study and display collections. Scientific publications, textbooks, and articles for the general public are based on information taken from these collections.

Collections in Non-Federal Facilities

Since Europeans first inhabited America, cultural and paleontological objects have been collected from the vast acreage of Federal land. However, it was not until 1906, when the Antiquities Act mandated permits be issued for excavations, that any control was exercised by the Federal government over the excavation of these materials. In Interior, permitting authority was delegated to the Departmental Consulting Archaeologist of the National Park Service, the Department's lead for cultural resource issues. The BLM was created in 1946, but it was not until the mid-70s that the first Bureau archaeologists were hired. Permitting authority was not delegated to the BLM until September 28, 1984, by Secretarial Order 3104.

Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. To date, the Bureau has identified 154 professional facilities in 33 states and Canada where millions of objects originating from the public lands reside.

These cultural and paleontological objects have not been gathered for the Bureau's use, but for the benefit of the public. The BLM has gathered data for all of the non-Federal facilities (type of collection, location, website, year established, attendance figures, collection type, professional organization membership, academic accreditation, museum accreditation and assessments, etc.) demonstrating that the facilities are professional institutions capable

of caring for Federal collections; however, the BLM does not directly manage the material in the collections.

Partnerships with Non-Federal Curation Facilities

Because most of the collections originating from BLM-managed land are housed in non-Federal facilities, the BLM's relationship with these curatorial facilities is crucial to the continued management and protection of these collections. Non-Federal facilities provide access to researchers and scientists, develop public displays utilizing the collections, and, in the eastern United States, make collections of western materials accessible to segments of the population that might not otherwise be able to view such materials. Collections in external repositories thus fulfill their mission and are being curated and fully used for public benefit, all at little or no cost to the American public.

It is only through partnerships with these professional facilities that the Bureau can realize its goal of ensuring that collections are available and accessible to the public. To better accomplish this goal and make the most efficient use of extremely limited funds, partnerships with non-Federal facilities are strengthened through assistance and/or direct funding by individual BLM offices or through the Museum Partnership Program (MPP). This program was created in 1998 and is administered by the National Curator.

Both the MPP and funding by BLM field offices seek to support projects that communicate, consult, and cooperate with museums and universities to conserve invaluable, nonrenewable archaeological, historic, and paleontological collections that originated from the public lands. The BLM provides funding, guidance, and assistance; the non-Federal facilities generally provide expertise and access. These projects support museum collection conservation, as well as enhancing public awareness, offering public education opportunities, providing an enriching experience, and adding to the scientific research potential of collections. Non-Federal facilities are responsible for permanent and traveling exhibit production, object conservation, exhibit renewal, finder's guides, web pages, catalogs, publications, artifact dating, research, data management, education, and outreach.

Projects that were funded during 2004 under the Museum Partnership Program and BLM field office programs are as follows:

- Museum Partnership Program: In FY 2004, funding was provided under the Museum Partnership Program to museum collections partners. Partners included the Museum of Northern Arizona for *A Finder's Guide to BLM Collections Project*; Eastern Oregon University for the *Oregon Trail Collections Project*; the Utah Museum of Natural History for *Conservation: A Look Behind the Scenes Project*; and the Museum of the Rockies for the *Collections Conservation Project.*

- BLM Field Office Funding and/or Assistance: In FY 2004, funding and/or assistance was provided by BLM field offices through Assistance Agreements, Cooperative Agreements, Facility Agreements, Memoranda of Understanding, and Purchase Orders. Partners included the University of Alaska Museum, Arizona State Museum, Museum of Northern Arizona, University of Arizona Laboratory of Paleontology, Museum of Western Colorado, University of Colorado Museum, Archaeological Survey of Idaho (Eastern and Western Repositories), Boise State University, Rocky Mountain College, Nevada State Museum, Museum of New Mexico, Maxwell Museum of Anthropology, Oregon State Museum of Anthropology,

Southern Oregon University, South Dakota School of Mines, BYU Museum of Peoples and Culture, College of Eastern Utah Prehistoric Museum, Field House of Natural History State Park Museum, Edge of Cedars State Park Museum, Southern Utah University, University of Utah Museum of Natural History, Washington State University, University of Wyoming, Western Wyoming Community College, and Wyoming State Museum.

The BLM has been very active in outreach to its partners via the internet. BLM cultural offices, including the Washington Office, have created interactive web pages to better provide information to our partners in cultural heritage and museum collections. Often these sites are linked to partner museums or universities or feature collections information. The Bureau's sites include:

- *www.blm.gov/heritage/sp.htm*
- *www.az.blm.gov/historic.htm*
- *www.ak.blm.gov/ak930/cultrl.html*
- *www.ca.blm.gov/pa/arch_cult/rockart.html*
- *www.co.blm.gov/ahc/index.htm*
- *www.mt.blm.gov/bcc/index.html*
- *www.nm.blm.gov/nmso/cultural/cultural_splash.html*
- *www.nm.blm.gov/features/blm_paleo/blm_paleo.html*
- *www.nm.blm.gov/features/dinetah/dinetah_splash.html*
- *www.nv.blm.gov/cultural/cultural.htm*
- *www.or.blm.gov/salem/html/archaeology/*
- *oregontrail.blm.gov/*
- *www.ut.blm.gov/wh3cultural.html*
- *www.wy.blm.gov/cultural/index.htm*

Website addresses for all 154 of BLM partner facilities that hold collections are located at *www.blm.gov/heritage/sp.htm.* When a partnering collections facility creates and maintains a website, this demonstrates a commitment by the facility to have updated complete contact information; to increase awareness by the public of the individual facility, its collections, and its programs; to expand the availability of facility collections and expertise to a wider audience; to display a larger portion of the collections to public view; to make facility and collections information more convenient by allowing 24-hour access; to increase its range of services; and to appeal to an audience who might not or could not routinely visit the facility.

Collections in Federal Facilities

Outside of the millions of objects residing in non-Federal facilities, the BLM curates over 3.7 million objects in three BLM facilities: the Anasazi Heritage Center (AHC) in Dolores, Colorado, transferred to BLM management in 1988; the Billings Curation Center (BCC) in Billings, Montana, established in 1984; and the National Historic Oregon Trail Interpretive Center (NHOTIC) in Flagstaff Hill, Oregon, opened in 1992. It is the BLM's policy that museum collections will not be housed in the Bureau's field offices.

Anasazi Heritage Center (AHC)

The AHC is the Bureau's only collections facility and museum. It features the Anasazi (ancestral Puebloan) culture as well as other cultures of the Four Corners region. The museum has permanent exhibits, archaeological sites, special exhibits and events, traveling exhibits, educational resources for teachers, archaeological research collections, and an excellent interactive website (*www.co.blm.gov/ahc/index.htm*). In 2004, the Center hosted 24,507 visitors.

At the close of fiscal year 2004, AHC collections were estimated to consist of approximately 3,254,750 specimens (principally archaeological materials, along with some

historic and paleontological materials), as well as 1,930 linear feet of associated records. Presently, collections at AHC occupy an area of approximately 7,836 cubic feet.

Billings Curation Center (BCC)

A much smaller entity, the BCC was established to curate artifacts collected from public lands in Montana and North and South Dakota. The primary objectives of the BCC are to assist these three BLM states in complying with the Native American Graves Protection and Repatriation Act (NAGPRA), and to ensure that collections (which are representative of nearly 12,000 years of prehistory and history in the Northern Plains) and associated records serve scientific researchers, the BLM, and other Federal agency personnel. The center has no gallery spaces, but it does host researchers and interns. This year the interactive website for the center was once again expanded (*www.mt.blm.gov/bcc/*).

At the close of fiscal year 2004, BCC collections were estimated to consist of 549,341 objects (principally archaeological materials, along with some historic materials), as well as approximately 108 linear feet of associated records. Presently, collections at the BCC occupy an area of approximately 2,196 cubic feet. The center is valued as an important research and resource management tool.

National Historic Oregon Trail Interpretive Center (NHOTIC)

The NHOTIC features exhibits, living history areas (including pioneer encampment and mining), a theater, an outdoor amphitheater, interpretive trails, and a picnic area. It provides majestic scenery and unique vistas of the historic ruts of the Oregon Trail. The center's goal is to interpret the story of the Oregon Trail and its impact on western American history. This is achieved, in great part, through the use of artifacts. Artifacts, along with artwork, text, videos, sound effects, and dioramas, present well-rounded, fact-filled exhibits and programs. In 2004, the center hosted 41,552 visitors. The Center also provides research for mail and telephone requests and maintains an excellent interactive website (*oregontrail.blm.gov/*).

At the close of fiscal year 2004, NHOTIC collections were estimated to consist of approximately 1,560 specimens (principally archaeological materials, along with historic materials and some natural history materials), as well as approximately 18 linear feet of associated records. Collections occupy an area of approximately 5,600 cubic feet. The NHOTIC has provided a rewarding and educational experience for its many visitors.

Number of Facilities and Condition of Museum Collections

Table 19 summarizes the number of facilities holding collections from BLM public lands and the condition of these heritage assets.

Table 19 - Number of Facilities and Condition of Museum Collections

Location	Number of Facilities	Condition
BLM Facilities	3	Good
Non-Federal Facilities	154	Unknown [1]

[1] See Available Condition Data and Summary Condition Assessment sections below for clarification.

Background

The museum collections and the associated records under the BLM's stewardship are stored in professional facilities whose mission, among other things, is to preserve them. Generally, museums and facilities preserve museum objects in a manner that is appropriate to the nature of the materials; that protects them from breakage and possible deterioration from diverse

temperatures and relative humidity, visible light, ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect; that preserves data which may be studied in future analyses; and that protects collections from fire and theft. It is unavoidable that all museum objects will ultimately deteriorate over time with use. The goal of safeguarding museum objects is to preserve them for as long as possible and to manage their condition during their intended use so as not to unduly hasten their deterioration.

Condition Assessment

The condition of museum collections in BLM facilities is good. The three internal facilities have management and accountability policies, procedures, and systems in place (i.e., governance, finance, security, interpretation, outreach, care or "curation," scope of collections, acquisitions, deaccessioning, legal and safety issues, documentation, and risk management).

The BLM has not conducted formal inspections of the 154 non-Federal facilities. While the condition of BLM's museum collections in these facilities is in the strictest sense unknown, these collections are reasonably presumed to be in good condition unless there is proof to the contrary (e.g., breakage, noted deterioration, etc.). All facilities have been contacted and the Bureau has information regarding the name, location, and website of each facility, as well as the year it was established. Additionally, where available and/or applicable, the BLM has been provided with attendance figures, collections type, professional organization membership, academic accreditation, museum accreditation, and Museum Assessment Program participation.

The creation and maintenance of a website is one indication of a facility's commitment to the collections housed there. All repositories holding BLM museum collections either have developed, or are in the process of developing, a website. The non-Federal facilities holding BLM collections, some of which were founded centuries ago, have histories of excellence and have demonstrated a long-standing commitment to their collections. More recently founded repositories were created in response to a need identified by the local community. Three-repositories were established in the 18th century, 48 in the 19th century, and the remainder in the 20th century. Many collections are housed in facilities that are departments or divisions of universities or colleges. All of the educational institutions housing BLM collections have been accredited, demonstrating a recognized level of quality and excellence.

Sixty-six of the facilities that hold museum collections from BLM-managed lands are accredited by the American Association of Museums (the only organization accrediting museums in the United States) or have participated in the Museum Assessment Program, demonstrating participation in one of the museum field's vehicles for quality assurance and public accountability. Participation in either of these programs is an extremely lengthy and involved process requiring significant time and resources, which excludes participation by many facilities such as very small museums, laboratories, or university departments.

Professional organization membership illustrates the commitment by a facility to fostering best practices, professionalism, ethical standards, communication, public education, cooperation, and fellowship. All of the facilities housing BLM collections, or individual staff members of these facilities, belong to one or more of the numerous professional associations and organizations in the museum/curatorial field.

These non-Federal facilities are professional facilities and, as such, maintain staff and conditions that are consistent with established scientific standards. These facilities are providing curation for all of the collections in their repositories, including BLM collections. They have management and accountability

policies, procedures, and systems in place to meet professional standards that guarantee accountability and ensure against damage or loss of materials. Clearly, the BLM does not need to supplant these existing accountability systems. Archaeological, historical, and paleontological materials have been removed from public lands for over 200 years. Most of these objects have been placed in non-Federal facilities for curation. As previously noted, the BLM collections are located in 154 of these facilities across the United States and Canada.

Net Change in Museum Collection Holdings and Cataloguing from 2003 to 2004

The number of non-Federal facilities believed to hold BLM collections decreased from 162 to 154 during FY 2004. This was a result of additional research based on responses to a BLM questionnaire that is discussed below.

Almost all of the museum collections originating from BLM-administered lands are housed in non-Federal facilities that the BLM has only limited control over and limited access to. Due to limited resources, the BLM provides little or no funding to these facilities and can therefore require little of them. The facilities themselves have limited resources and limited information regarding individual numbers of objects added to collections.

It has never been general museum practice to perform annual inventories of museum collections because this is prohibitively costly, provides information that contributes nothing to the educational or research value of the objects, and ultimately damages the very objects we seek to preserve. In an effort to obtain more precise information on this issue, a questionnaire was sent by BLM to all museums believed to hold collections originating from BLM-administered lands. The questionnaire requested information regarding inventories.

A total of 95 repositories responded in some way to the BLM questionnaire. Of those, 53 responded to questions regarding collections inventory (not all of the facilities responding had BLM collections):

- 23 had no baseline inventory (the percent inventoried ranged from 0 to 99 percent).
- 2 had an object-by-object inventory (both were small facilities with small collections).
- 28 repositories had inventories but the inventories were based singularly, or on a combination of, lots (multiple to thousands of items), accession numbers (one to thousands of objects), sites (hundreds to thousands of objects), catalog numbers (single objects), or numbers of boxes (thousands of objects).

These responses to the questionnaire indicate clearly that it is neither a professional practice nor logistically possible to have detailed inventories. Given all of the above factors, it has never been the BLM's practice to collect inventory data. However, because there is an increase in collections yearly as a result of the constantly permitted excavations and projects that occur on the public lands, the BLM can reasonably state there has been a net increase in the number of collections at the 154 non-Federal museums.

During fiscal year 2004, the Anasazi Heritage Center recorded an increase of approximately 59,000 specimens, the Billings Curation Center an increase of approximately 6,457 specimens, and the National Historic Oregon Trail Interpretive Center an increase of 10 specimens.

During fiscal year 2004, the Anasazi Heritage Center created an additional 50,820 catalog records and the Billings Curation Center catalogued 13,040 additional catalog records.

Paleontological and Cultural Heritage Properties

Lands administered by the BLM are some of the most culturally diverse and scientifically important lands managed by any Federal agency. The Bureau is responsible for protecting and preserving paleontological localities and archaeological and historical sites, as well as the museum objects excavated or collected.

The BLM's website, "Cultural Heritage and Fossil Resources and Tribal Consultation on the Public Lands" (*http://www.blm.gov/heritage/*), provides information on BLM paleontological and cultural heritage programs. The website features photographs and text that highlight a number of noteworthy sites across the American West.

Paleontological Properties

The BLM manages fossils as a natural heritage resource on the lands it administers under the general guidance of the Federal Land Policy and Management Act (FLPMA) and the National Environmental Policy Act (NEPA). Fossils are managed to promote their use in research, education, and recreation; paleontological localities are an important consideration in developing land use management decisions. Significant paleontological resources can be found on BLM lands estimated to total over 20 million acres. Currently 61 areas are managed either wholly or in part for paleontological values, or contain paleontological values that may require specials management strategies in the future. Most of the areas consist of areas of critical environmental concern, national natural landmarks, and research natural areas.

Almost all other public lands are accessible to the public for the recreational collection of common invertebrate and plant fossils, as well as limited amounts of petrified wood. However, a BLM permit is required for the collection of vertebrate fossils. BLM permits are issued only to qualified paleontologists for scientific research, education, and display or exhibit at a university or museum.

Paleontologists actively engaged in scientific collection and research involving paleontological resources represent numerous institutions including the following:

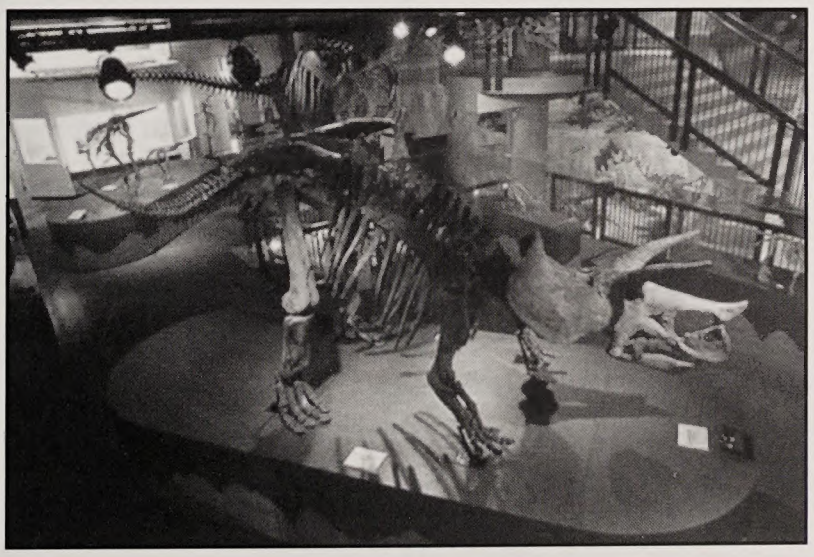
Burke Museum of Natural History
Western Michigan University
American Museum of Natural History
University of California Berkeley
Carnegie Museum of Natural History
University of Wyoming Geology Museum
Smithsonian Institution
Los Angeles County Museum of Natural History
University of Colorado
Field Museum of Chicago
Yale-Peabody Museum of Natural History
University of Michigan
University of Kansas
South Carolina State Museum
University of Oregon
New Jersey State Museum
Indiana State Museum
State Museum of Pennsylvania
Johns Hopkins University
Brigham Young University
Utah Museum of Natural History
University of Chicago
Duke University
Cincinnati Museum Center
Denver Museum of Nature & Science
New Mexico Museum of Natural History & Science
Museum of the Rockies
Montana State University

Because field season usually begins in April and May and lasts through September, annual field reports generally are not submitted

until the end of the calendar year. Locality information and associated data is furnished through these end-of-the-year reports, in accordance with the BLM Manual 8270, Paleontological Resource Management, and Handbook H-8270-1, General Procedural Guidance for Paleontological Resource Management. Noteworthy activities presently underway include:

Arizona – Survey and Inventory have been completed for the 2004 field season (October through March) in the southeastern Arizona fossil beds. The Mesa Southwest Museum in partnership with the Safford Field Office has collected over 1,000 specimens since 1998, representing over 60 types of Ice-Age mammals such as mammoths, glyptodonts, mastodons, horses, camels, and saber-toothed cats. Fossils from these inventories are on display at the Mesa Southwest Museum and the museum of the Graham County Historical Society in Thatcher, Arizona.

New Mexico – The long standing partnership between the BLM and the New Mexico Museum of Natural History continues to provide outstanding curation and display of paleontological properties from BLM-managed land, as well as educational opportunities for the public. The opening of the new Jurassic Hall in August of 2004 will feature two specimens collected from public land in New Mexico. Casts of a large sauropod, *Seismosaurus* and a very large meat-eating dinosaur, *Saurophaganax* will be shown locked in mortal combat in the new hall.



The Mesa Southwest Museum in Arizona is Mesa's municipal museum of cultural and natural history, featuring permanent and changing exhibitions on Arizona and the Southwest, from dinosaurs to conquistadors, from the Old West to the space age.

Montana – Activities in Montana include planned excavations by the Los Angeles County Museum, include the recovery of a tyrannosaurus rex specimen and a triceratops. The Museum of the Rockies has discovered another tyrannosaurus rex specimen near the Missouri River and plans an August excavation.

Utah – Grand Staircase-Escalante National Monument (GSENM)

This is the fourth year of five-year paleontology inventory Assistance Agreements. One of the three partners was not funded this year and the other two were reduced.

The grand opening of Big Water Visitor Center exhibits is scheduled for August 7, 2004. The theme for the exhibit is Late Cretaceous paleontology of the monument including life-size metal cutouts of dinosaurs and other vertebrates of that period, a dig site re-creation, a 3-D detailed sculpture of a dromaeosaur, a display of a hadrosaur tail and skin impressions, and the main event, the original 40 foot Felder mural canvas.

In the fall of 2003 a mummified, small (3-4 foot long) ornithopod dinosaur was collected. A detailed analysis is forthcoming.

A joint BLM-UMNH excavation of a hadrosaur skeleton with a skull and large areas of skin impressions preserved is scheduled for September 2004.

An excavation of a nearly complete, articulated, and very rare Triassic age poposaurid archosaur by the Yale Peabody Museum is ongoing.

Cultural Properties

The BLM manages the largest, most varied, and scientifically most important body of cultural resources of any Federal land managing agency. The public lands managed by the BLM are a grand, open-air museum that contains significant archaeological remains, including defensive structures perched atop narrow escarpments; cliff dwellings set in desolate canyon walls; isolated arrowheads and spear points; mines and stamp mills located above timberline; immense ground figures and rock alignments (intaglios) etched in desert pavement; worn trails from bygone eras; abstract, realistic, and anthropomorphic renderings incised and painted on rock surfaces; abandoned military outposts and homesteads; and much, much more. These resources can contribute to our understanding of the origins of civilization in North America, as well as delighting and fascinating anyone who comes upon them, whether they be a curious tourist, an intrepid backcountry adventurer, an accidental visitor, an artist in search of inspiration, or an inquisitive scientist.

The BLM's archaeological and historic resources range in age from 13,000-year-old mammoth kill sites associated with America's earliest hunters to more recent historic sites documenting westward migration, mining, ranching, railroading, and even World War II and Cold War military sites. Because so much of western history was played out on the public lands, the BLM is the only Federal land managing agency that can tell the complete story of people on these western lands. The archaeological and historic resources tell the story of many varied peoples, representing every cultural tradition and ethnicity present in American society. These people include First Americans (ancient cultures and contemporary peoples), as well as immigrant Americans (explorers, miners, ranchers, homesteaders, soldiers, and others). However, because so many of the resources representing these activities have already been intentionally looted or inadvertently disturbed, it will soon be impossible to report anything but anecdotal accounts of this long-playing drama.

Changing land use patterns, increased urbanization, and demographic shifts are transforming public expectations and attitudes about how BLM should manage its public lands, including its cultural resources. Remote areas, once protected by their distance from populated areas, are now within easy reach of the hardy and well-equipped hiker, off-highway vehicle user, or encroaching urban and suburban resident. Increasingly, public land use is concentrated on significant cultural resources such as archaeological resources, rock art panels, emigrant trails, abandoned homesteads, "ghost" towns, and similar places evocative of the American West. These fragile resources are easily and negatively impacted by both natural processes (erosion, natural deterioration, weathering, and arroyo cutting) and human agents (looting, vandalism, recreational activities, and development).

The BLM's cultural resources are important for economic, scientific, recreational, cultural, and educational purposes. Intact, these resources can tell us when people first arrived on the continent, how they dispersed, how cultures flourished, what led to their demise, how they perceived the spiritual world, how they interacted with other cultural groups, how they exploited and perhaps over-exploited their environment, how they treated their dead, how and why they came into conflict, and many other facets of their culture. Answering these questions is important not only to enhance our understanding of the past, but also to aid contemporary society by providing a framework for understanding how previous cultures dealt with similar issues (e.g., water usage) and how past approaches may apply today.

The BLM's cultural resources are important to contemporary Indian and Native Alaskan

communities and tribes that draw their spiritual and physical connection to traditional cultural properties. They are also important to adjacent Western communities that are bound to the public lands either directly or through ancestors and friends who made a living off these lands.

Cultural resources have enormous potential for contributing to the Nation's economic development, primarily through heritage tourism. In recognition of this, on March 3, 2003, President Bush signed Executive Order (E.O.) 13287, *Preserve America*, to actively advance the protection, enhancement, and contemporary use of the cultural resources owned by the Federal government, and to promote intergovernmental cooperation and partnerships for the use of cultural resources. The White House's *Preserve America* initiative, launched the same day as the Executive Order, is slightly broader in scope than the Executive Order. Also developed in cooperation with the Advisory Council on Historic Preservation and the Departments of Commerce and Interior, the goal of the Preserve America Initiative is to support community efforts to preserve and use cultural and natural resources.

The Executive Order requires the Federal government to manage its historic properties as assets that support agency missions, contribute to community economic development, promote an understanding of our Nation's history, and foster an appreciation of American values. Federal agencies must improve their planning and accountability. Each property-managing agency is required to make a baseline assessment of the status of its inventory of historic properties; the general condition and management needs of its historic properties; steps underway or planned to meet those needs; and the suitability of historic properties to contribute to economic development, including heritage tourism. Using advisory guidelines developed by the Advisory Council on Historic Preservation in collaboration with Federal agency representatives to structure the assessments and reports required by the Executive Order, BLM is currently putting the finishing touches on the initial assessment report due to the Council on September 30, 2004.

The economic benefits of heritage tourism are potentially enormous. The Executive Order assessment report highlights a few examples of these potential benefits:

- The 65-mile-long Alpine Loop, situated in the spectacular San Juan Mountains of southwestern Colorado, was designated a national Backcountry Byway in 1990. It winds through an area with abundant historic mining resources, including mines, mills, dams, hydro-electric power houses, shaft houses, tram houses, charcoal kilns, miners' cabins, boarding houses, ghost towns, and more. The Alpine Loop Backcountry Byway receives the second largest visitation rate of BLM recreational facilities, totaling about 583,236 visits annually. The economic contribution provided can be estimated at about $19 million using an average per-day expenditure of Colorado visitors of $81 and assuming that 40 percent of the visitors are non-local Colorado residents or are from out of State.

- The historic Yaquina Head Lighthouse, Oregon's tallest and second oldest continuously operating lighthouse, is located on a prominent headland with spectacular vistas of the resort areas of Newport and Nye Beach. The Yaquina Head Lighthouse completed in 1873 is a classic example of conically shaped brick towers for that period. The lighthouse is on the National Register of Historic Places; about one-third of the BLM's Yaquina Visitor Center is devoted to historic interpretation. Yaquina Head Lighthouse is one of the most-visited lights on the west coast with over 320,000 visitors each year.

- One of the BLM's most successful heritage tourism projects in New Mexico was development of a traveling exhibit on Mimbres sites with the Museum of New Mexico. Because Mimbres sites are unremarkable architecturally and are extremely vulnerable to pot hunting due to their incomparable ceramic artifacts, the decision was made to interpret Mimbres pueblos managed by the BLM through this off-site strategy. Through an assistance agreement with the Museum of New Mexico's Museum of Indian Arts and Culture, the BLM contributed approximately $63,000 towards production of a 1,900 square foot exhibit. The museum fabricated an exhibit, gathered artifacts from around the country, and arranged rentals of the show in regional museums. After opening in Santa Fe the show traveled to Albuquerque, Las Cruces, Roswell, and Silver City, New Mexico, and Phoenix, Arizona. The label copy was translated into Spanish, and the exhibit then toured at the Casa de las Americas in Madrid, Spain, and the Museum de las Culturas del Norte in Casa Grandes, Mexico. In total, it reached an audience of over 500,000 visitors. Museum entrance fees in excess of $1 million were generated by the show.

The cultural resources of the West are a strong attraction for visitors from all over the world. The U.S. travel market is experiencing a dramatic growth of heritage tourism, where visitors seek to experience the arts, heritage, and special character of a particular place. However, the potential of BLM cultural resources, including the exhibits developed featuring collections from these sites, may never be fully realized if the most visually appealing and important of these places are destroyed before they can be interpreted.

The BLM's Cultural Heritage Program has 15 years of data on cooperative management agreements and challenge cost share arrangements. Between 1989 and 2003 (data for 2004 are not yet available), more than 1,400 projects generated cooperator contributions of more than $28 million dollars at a cost to the BLM of slightly more than $12 million, or about $2.20 for each BLM dollar spent. BLM partnerships are typically developed for stabilization, interpretation, inventory, rehabilitation, curation, and site stewardship projects. Partners include not-for-profit firms, professional organizations, "friends of" organizations, museums, Indian tribes, universities, and others. These partnerships are a critical component of managing heritage resources on public lands, as the following examples from the Executive Order assessment report indicate:

- Montana's Missoula Field Office has had a long-standing partnership with the Garnet Preservation Association (GPA), a private non-profit organization. The GPA assists the BLM with the preservation and interpretation of the National Register eligible Garnet Ghost Town. This partnership began in 1983, in part out of a need to augment limited BLM funding. GPA helped in the early years by providing a caretaker for Garnet. The GPA has also helped the BLM stabilize several buildings in garnet Ghost Town, including Kelly's Saloon, the Honeymoon Cabin, and the Hanifen House. Stabilization has ranged from foundation, floor, and log replacement to foundation work, structural framing, and roof replacement.

- The Bureau of Land Management in Tok, Alaska, entered into a partnership with the Eagle Historical Society & Museums (EHS&M) for a $50,000 Save America's Treasures (SAT) Grant awarded in 1999. It was for restoration and preservation work at one of the most significant historical sites

in the state of Alaska, Fort Egbert National Historic Landmark, located along the Yukon River in east-central Alaska. The funding requirement of the grant was for a 50/50 match by a non-Federal matching partner, with the EHS&M meeting their $50,000 match of Federal money with both monetary and in-kind contributions. The project involved restoring the Non-Commissioned Officer's Quarters building. The purpose was to facilitate interpretation for the public of what it was like to live and work in an isolated and underdeveloped part of the Alaska Wilderness over one 100 years ago.

- In 2004, the BLM's Eastern States initiated a Challenge Cost Share partnership with the Fairfax County Archaeology Program (Virginia) to perform baseline archaeological inventories of the Meadowood Special Recreation Management Area (SRMA). These inventories will be conducted as part of a Section 110 survey program to obtain an understanding of the nature and extent of prehistoric and historic sites located throughout the entire 800-acre SRMA. Significant archaeological and historical sites are known or suspected to be located within the SRMA, which is situated adjacent to the Potomac River. Both the BLM and Fairfax County will benefit by jointly developing a cultural resources management plan for the SRMA, which will be used by both agencies for preservation planning. Through this partnership, the BLM's Eastern States office will donate $60,000 in cash to the Fairfax County Archaeology Program proffer fund and will receive approximately $310,000 in return by Fairfax County.

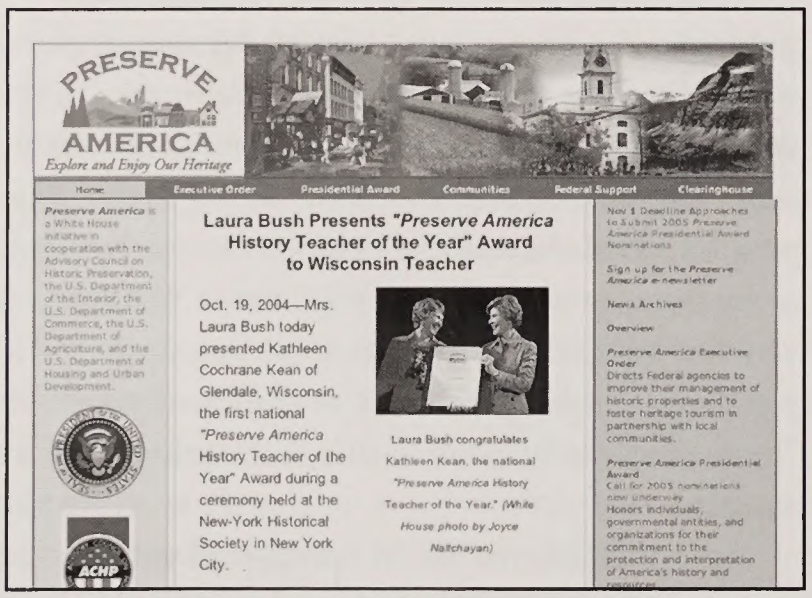
"Adventures in the Past" is BLM's umbrella program for promoting public education and awareness and for encouraging public participation in protecting archaeological and historical resources. The goals of the program include increasing public appreciation and knowledge of archaeological and historical resources, promoting public stewardship, and reducing the threat to these resources. These goals have their basis in law: "Adventures in the Past" responds to Section 10c of the Archaeological Resources Protection Act. This law requires Federal agencies to develop outreach programs to explain the importance and value of the Nation's cultural legacy, and to enlist the public's assistance in cultural resource protection.

The educational benefits of cultural resources, in both formal and informal settings, are significant. The BLM's *Heritage Education* and *Project Archaeology* programs are playing a key role in supporting existing school curriculums and teaching higher-order thinking skills. The BLM continues to add sections to its cultural website, "Cultural Heritage and Fossil Resources on the Public Lands," (*http://www.blm.gov/heritage/*). In FY 2004, BLM's Heritage Education Program continued *History Mysteries*, a product aimed at children ages 10-14 designed to stimulate an interest in the historical stories and actual on-the-ground resources associated with public lands. The first *History Mystery* dealt with "The Mystery of Butch Cassidy and the Sundance Kid," and the various sites these historical figures are known to have visited on what eventually came to be public land. The second *History Mystery* deals with "The Mystery of the First Americans," which investigates contrasting theories of early migration routes into the New World by Ice Age peoples. Did the earliest explorers come by land or by boat, or were they always here? Feature articles, educational activities, games, and puzzles all engage the creative minds of youth "detectives" to help solve this archaeological mystery.

In FY 2004, the BLM completed work on a publication entitled "America's Priceless Heritage." This publication consists of 13

booklets, one overarching Bureau booklet and 12 individual state booklets for each State Office. These publications describe the cultural and paleontological resources found in each state, including their chronology and significance. They also detail some of the partnerships that are in place to manage cultural resources as well as chronicling the economic benefits of and threats to them.

The BLM will be celebrating heritage resources beginning in 2005 and continuing into 2006 and beyond, in conjunction with the Centennial of the Antiquities Act of 1906 and the 40th anniversary of the National Historic Preservation Act. This represents an opportunity for the BLM to showcase the Nation's most diverse and significant cultural, historic, and fossil resources, while demonstrating some of the BLM's greatest strengths, such as working with local communities, building partnerships, and enlisting volunteers. The Centennial provides new tools for continuing important work with local communities, Indian tribes, commodity interests, and the private sector, consistent with the goals of the White House's *Preserve America* initiative. The thematic foundation of the 2006 centennial is stewardship—the responsibility of each person visiting the public lands to protect and preserve these places and our heritage for future generations.



The White House's *Preserve America* initiative can be found at *http://www.preserveamerica.gov/.*

The 2006 Centennial continues and re-energizes BLM's "Adventures in the Past" initiative "The Adventure Continues." As the BLM's public interface with heritage resources, the "Adventures" program and existing on-the-ground, interpreted sites will be a focus for the Centennial. Heritage education, heritage volunteer opportunities, sustainable heritage tourism, and heritage preservation are the strategic focuses of the Centennial. A guiding principle of the Centennial is to capitalize on the unique opportunity it offers to highlight heritage resources within existing programs.

The goals of the Centennial are to:

1. Highlight accomplishments and benefits of the Antiquities Act and the National Historic Preservation Act for heritage resources.

2. Focus on the legacy to the future and the necessity of everyone being a steward of heritage resources.

3. Assure that Americans, and especially visitors to the public lands, know how to respect and appreciate heritage resources without impacting them.

4. Expand the constituency of stewardship of heritage resources.

5. Provide quality visitor service and expand community benefits by enhancing sustainable heritage tourism opportunities.

6. Use heritage resources as teaching tools for topics such as America's past, science, diversity, and citizenship skills.

The BLM has already begun to fund on-the-ground projects in connection with the Antiquities Centennial. Among projects funded in 2004 that will soon be initiated are

(1) a series of public lectures and an exhibit in the Nevada State Capitol focused on the Antiquities Act in Nevada; (2) erection of an interpretive kiosk along Highway 95 in Oregon describing the life and importance of Sarah Winnemucca, an Indian activist and educator; (3) an inventory and reclamation of user- made trails in East Rock Canyon in the BLM's Canyon of the Ancients National Monument in Colorado, an area established by Presidential Proclamation under the authority of the Antiquities Act; (4) stabilization of the John Ervin Homestead, located along the Upper Missouri River within the Upper Missouri River Breaks National Monument, also established by Presidential Proclamation under the authority of the Antiquities Act; (5) development of a promotional video and outreach package on Comb Ridge, Utah, where numerous sites are located, including some famous from the earliest archaeological expeditions to this area north of the San Juan River; and (6) restoration work at the Non-Commissioned Officers' Quarters at Fort Egbert National Historic Landmark in Eagle, Alaska, built in 1899 during the Alaska Gold Rush as a Federal presence on the Yukon River, downriver from the Great Klondike Strike in western Canada.

In recent years, the BLM's Cultural Heritage Program has been focusing attention on the crisis of cultural and fossil resources on public lands by addressing "at-risk" resources. For the first time in FY 2002, Congress specifically appropriated additional funds in the cultural resource management 1050 subactivity to begin to address the program's most critical needs for cultural and fossil resources. In FY 2004, the Cultural Heritage Program allocated $153,000 towards such work. A total of 12 cultural and 6 paleontological at-risk projects were funded. Project work included assessing site damage; constructing post and cable barriers; installing kiosks and protective signs; hand-removing brush to prevent fire damage; treating rock art to conserve it; excavating eroding sites; inventorying and testing threatened sites; constructing cattle and off-highway vehicle exclosures; mapping and inventorying sites; curating and conserving artifacts; undertaking GIS surveys; developing searchable on-line databases; and stabilizing and surface-collecting looted cultural properties and paleontological localities. Virtually all at-risk projects were undertaken in collaboration with partners and volunteers. These projects specifically respond to the performance goals in the Department of the Interior's Strategic Plan requiring an improvement in, or at least stable percentages of, cultural and fossil resources that are in good condition.

Since 1997, the BLM has operated under a national Programmatic Agreement that streamlines compliance with Section 106 of the National Historic Preservation Act. This broad agreement, negotiated with the Advisory Council on Historic Preservation and the National Conference of State Historic Preservation Offices, moved decision-making to the State level. This agreement led to a BLM-wide, but locally based, funding approach across a wide range of relevant subactivities and programs, enabling the BLM to enter into data-sharing agreements with State Historic Preservation Offices and to deliver automated or GIS-based cultural property data. Known as the Cultural Resources Data Sharing project, this effort involves assisting State Historic Preservation Offices in automating their cultural resource inventories and making those inventories available to the BLM electronically. A total of $300,000 in BLM funding is provided annually from seven different BLM programs. Funding is allocated to the State Historic Preservation Offices in the Western States, who match BLM's contribution on a one-to-one basis with non-BLM funding. The automated cultural resource inventories and GIS databases expedite and streamline compliance with Section 106 for a wide range of BLM land use authorizations.

In recent years, the Cultural Heritage Program has worked with the Planning subactivity to have them fund what are loosely termed "landscape" level studies. These studies are compilations of existing cultural and paleontological information, based on years and years of inventory data, that will be incorporated into BLM's next generation of land use plans to avoid impacts to significant cultural resources, including areas of traditional cultural importance to American Indians, and that will also expedite land use authorizations by identifying areas suitable and unsuitable for development. Between FY 2001 and 2004, 16 landscape-level studies have been funded at a cost of $800,000. These studies have included Class I compilations of existing Section 106 inventory data; the development and testing of predictive models; Native American cultural landscape studies; an ethnographic place names study; Class III inventories along historic trails; GIS modeling; and landscape level overviews of historic sites.

To date, over 271,000 archaeological and historical resources have been recorded on the roughly 17 million acres of public lands that have been inventoried, which represents six percent of all lands administered by the BLM. Projecting these estimates to the almost 262 million acres of BLM-administered lands works out to an estimated 4 to 4.5 million potential archaeological and historical properties on the public lands.

Currently, the BLM has 403 listings on the National Register of Historic Places that encompass 4,248 contributing properties, as well as 21 National Historic Landmarks and 5 World Heritage properties. Portions of 10 National Historic Trails covering 4,718 miles cross the public lands. Standing structures, very conservatively estimated at 1,500, include prehistoric pueblos; cliff dwellings; antelope, bighorn sheep, and fish traps; agricultural features; historic-period mining structures (such as smelters, mill sites, arrastras, and charcoal kilns); ranch buildings; adobe forts; stage stops; townsites; lighthouses; cabins; a salt tram; and depression-era schoolhouses.

Five BLM Chacoan Outliers located in northwest New Mexico were added to the World Heritage List in 1987 in conjunction with the listing of the National Park Service's Chaco Culture National Historical Park. The park contains the most important remains of the Chaco culture, which was at its height between 1020 and 1110 A.D. This culture was characterized by a very elaborate system of urban dwellings surrounded by villages and linked by a network of roads. The BLM Chacoan Outliers included in the World Heritage List are Casamero, Kin Nizhoni, Pierre's Site, Halfway House, and Twin Angels.

Table 20 summarizes the number and condition of the cultural properties under BLM's stewardship.

Table 20 - Number and Condition of Cultural Properties

Type of Cultural Property	Number of Properties [1]	Condition [2]
Recorded Archaeological and Historic Sites	271,474 [3]	Acceptable
Included in the above:		
National Historic Landmarks	21	Acceptable
National Register of Historic Places	403 Listings (consisting of 4,248 Contributing Properties)	Acceptable
World Heritage Properties	5	Acceptable

[1] The BLM does not use cultural properties in its day-to-day government operations.

[2] Refer to the "Condition of Cultural Properties" section of this report.

[3] Thousands of archaeological and historical sites have been recorded on the public lands. Most of these have not been assessed for eligibility for listing on the National Register of Historic Places.

The BLM's national historic preservation program is founded in part on the following policy statements contained in Section 2 of the National Historic Preservation Act: "It shall be the policy of the Federal Government, in cooperation with other nations and in partnership with the states, local governments, Indian Tribes, and private organizations and individuals to . . . administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations."

Condition of Cultural Properties

National Historic Landmarks: The National Historic Landmarks program is administered by the Secretary of the Interior through the National Park Service (NPS) under the Historic Sites Act of 1935; regulations for the program are in 36 CFR Part 65. Candidate Landmarks are identified by NPS staff, evaluated and recommended by an appointed Advisory Board, and designated by the Secretary to recognize their outstanding historical, architectural, or archaeological value and significance at a national level. Landmark designation does *not* create units of the National Park System.

Many landmarks, particularly in the West, have mixed ownership. Private and other non-Federal landmarks are generally maintained according to owners' agreements with the National Park Service. Maintenance of Federal landmarks and Federal portions of mixed-ownership landmarks is the responsibility of the land-managing agency. Twenty-one national historic landmarks involve BLM-managed lands and, as steward, the Bureau places a high priority on protecting landmarks from deterioration or harm.

Each year the Secretary provides the Congress with a listing of damaged or threatened national historic landmarks, as required by Section 8 of Public Law 94-458. This listing does not differentiate according to ownership when any portion of a landmark is judged to be subject to threat. Of the landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the landmarks are not actively at risk. Landmark condition is carefully monitored by BLM's field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly.

Significant cultural properties on BLM-managed public lands, including national historic landmarks, are predominantly archaeological properties that have been unused and unoccupied for hundreds or thousands of years. A smaller percentage of historic properties on the public lands consist of the physical remains of failed settlements, abandoned mines, and similar boom-or-bust developments dating to the past 150 years. Inescapably, such historic resources are in a continuous state of deterioration.

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including national historic landmarks, are afforded the highest attention.

The BLM's cultural resource management program does not specifically include an element called "condition assessment survey" since regularly assessing the condition of over 271,000 recorded sites would be an onerous task. However, historic properties are evaluated continuously. In the past two years, the cultural resource management program has worked with the BLM's Protection and Response Staff to obtain funding to conduct condition assessments at specifically threatened historic properties. Monitoring the rate of natural and human-caused deterioration, and adjusting protection methods and priorities accordingly, is

the most commonly applied protection measure where significant properties are known to exist.

All Other Cultural Properties: The condition of over 271,000 recorded archaeological and historic sites on the public lands ranges from nonexistent (the site was recorded, assessed, and then destroyed) to excellent. Most of the public lands inventoried in any given fiscal year (500,000 acres on average) are examined in response to requests by land use applicants to undertake a land-disturbing activity. Section 106 of the National Historic Preservation Act requires that any project requiring a Federal approval, license, or money be reviewed for its potential effect on any listed or eligible National Register of Historic Place property. Since less than 6 percent of the public lands have been inventoried to date and most National Register-eligible sites have not yet been identified, the area of potential impact must generally be inventoried before project approval.

The preferred course of action when a proposed project may affect an archaeological or historic site is to avoid it, particularly if the site is of national significance or is a designated national historic landmark. On some projects, particularly larger ones, it is not always possible to avoid National Register-eligible sites that are important primarily for the scientific information they contain. Consequently, in any given year, the effects of projects on an unknown number of sites are mitigated.

In most instances, mitigation involves either site recordation or excavation of a small percentage of a site. At that point, what remains of the site can be destroyed without further examination. In the years since the National Historic Preservation Act was passed in 1966, many hundreds, if not thousands, of sites have been destroyed subsequent to project mitigation or without mitigation because the information they contain is redundant (i.e., similar information has previously been obtained from similar sites). Consequently, an unknown percentage of the archaeological and historic sites recorded on the public lands no longer exist.

Change in Paleontological and Cultural Heritage Properties from 2003 to 2004

During fiscal year 2004, an additional 8,295 archaeological and historical sites were recorded. The number of National Register of Historic Places listings increased by 110, while the number of contributing properties decreased by 90. A review of the National Register of Historic Properties records resulted in a revision of the numbers reported by BLM. In many cases, contributing properties were reclassified as listings. The number of National Historic Landmarks decreased by 1.

INVESTMENT IN RESEARCH AND DEVELOPMENT

Table 1 – Investment in Research and Development (Outlays in Millions of Dollars)						
Category	**2000**	**2001**	**2002**	**2003**	**2004** [1]	**TOTAL**
Applied	9.7	11.1	12.0	10.9	11.8	55.5
Developmental	1.7	1.4	.4	1.5	1.9	6.9
Total	11.4	12.5	12.4	12.4	13.7	62.4

[1] Outlays are estimated for 2004.

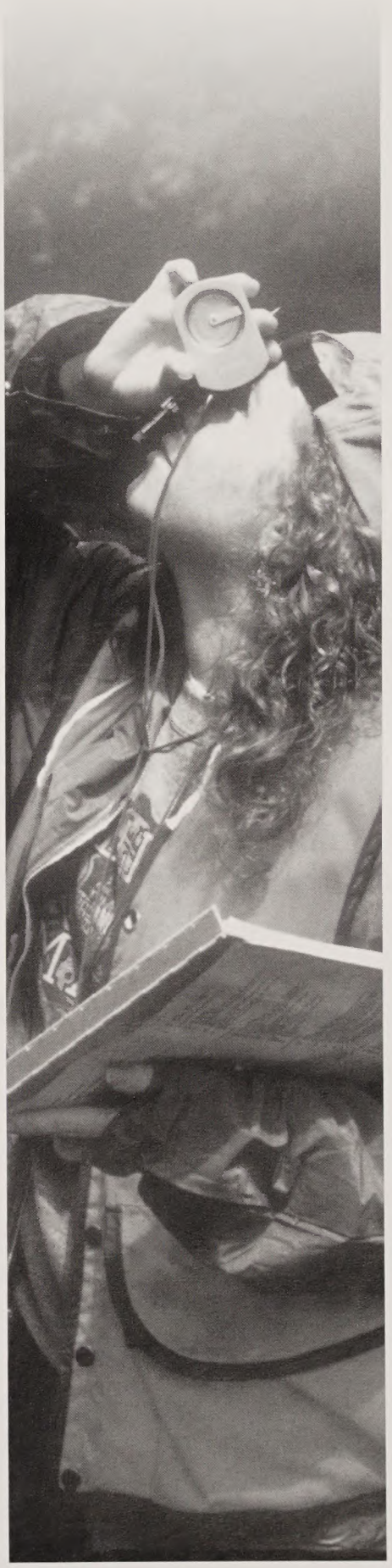
Program Overview

The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of our Nation's public lands and resources. The BLM's research and development program focuses on workng with partners to identify scientific information needs and then communicating these needs to research agencies, universities, and other non-governmental organizations.

The Applications of Science program was established by Congress in 2002 in order to assure that scientific information is current and can be made available to BLM managers. The Application of Science program is now an important component of the BLM's research and development program, assisting the Bureau in expanding its capacity to collect and use natural resource information.

The BLM has developed a formal science strategy that includes a process for identifying high-priority science needs and then meeting these needs either internally or in collaboration with science partners, such as the United States Geological Survey (USGS), other agency science providers, and universities. The strategy also includes identifying and cataloging scientific opportunities on the public lands, such as those found within national monuments, national conservation areas, and research natural areas. The BLM is currently preparing management plans for several national monuments and national conservation areas that will highlight science opportunities and research needs.

The USGS serves as the primary research science bureau for the Department of the Interior, addressing the scientific questions and research needs of the land management bureaus. The BLM relies on the science capabilities within the USGS as its largest single source of scientific research support, although the BLM also works with other Federal agencies, state agencies, and other organizations to meet its overall science needs. The USGS geologic, water resources, and geography disciplines support the BLM's mineral assessment, mining-related hydrologic studies, and abandoned mine land efforts. The USGS biological resources discipline addresses most of the BLM's



science needs relating to the management of biological resources.

The BLM is a founding partner in the network of Cooperative Ecosystem Studies Units (CESUs) that has been established recently at several of the Nation's leading universities by a number of Federal agencies. The BLM is increasingly making use of these CESU partnerships to meet its science needs and involve U.S. universities and colleges to a greater extent in providing sound science for managing the public lands and resources.

2004 Program Performance Estimates

In 2004, the BLM began new and continued past research and development efforts, including:

- Initiating studies on salt loading into the Colorado River, a major concern since water is a primary source of irrigation and drinking water for the Lower Basin states.

- Initiating a study on Bonneville Salt Flats in Utah to determine why the salt crust is deteriorating and whether commercial potash production from nearby Federal leases and private lands is responsible for the deterioration of this unique and scenic geological resource.

- Continuing studies in the Cooperative Forest Ecosystem Research Program, emphasizing conifer and hardwood tree improvement and forest diseases.

- Continuing studies on the juniper invasion of shrub-steppe ecosystems in the northern Great Basin and Pacific Northwest.

- Continuing to inventory and evaluate past management treatments of pinyon-juniper.

- Continuing a four-year study in Utah of symbiotic relationships between soil mycorrhizae and vegetative communities, and the importance of this relationship to the success of ecosystem restoration and rehabilitation efforts.

- Continuing the mapping of infestations and accurately monitoring the spread of invasive species on western rangelands; improving methods for predicting areas most vulnerable to invasions; and assessing the effects of management practices and natural disturbances on invasions.

- Continuing studies at the Grand Staircase-Escalante National Monument that focus on developing sustainable grazing and livestock management techniques compatible with the area's arid environment; characterizing the area's hydrology; monitoring changes in terrestrial and aquatic insects and invertebrates related to the cessation of grazing in the Escalante River corridor; and studying the distribution and ecology of Escalante River fishes.

- Continuing research efforts on wild horses that focus on population modeling and fertility control on herd dynamics, and working to refine multiple-year contraceptive vaccines.

- Completing studies on the effects of human-caused disturbance on marbled murrelets in California's Headwaters Forest, and continuing studies of the effects of livestock grazing on a community of species at risk of extinction in the San Joaquin Valley.

DEFERRED MAINTENANCE

Supplementary Report on Deferred Maintenance: This report displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment and for stewardship assets. Deferred maintenance includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life

The Bureau of Land Management's capital assets include administrative facilities, recreation sites, and fire control facilities and buildings. Roads, trails, bridges, and associated improvements constitute the BLM's transportation system. Currently, the BLM maintains 4,006 buildings and structures, 695 administrative sites, 2,165 recreation sites, 76,671 miles of roads, 823 bridges, 15,733 miles of trails, and 770 dams. These assets support the management, use, and enjoyment of the public lands for commercial, recreational, and other purposes.

The Bureau's maintenance backlog is estimated to range from $543 million to $663 million.

Deferred maintenance is due primarily to insufficient funding over the years for regularly scheduled repairs and preventative maintenance. Meanwhile, the BLM has fallen further and further behind because of escalating maintenance costs and expansion of the BLM's capital asset base (e.g., new National Monuments and visitor centers).

The BLM is using a new methodology to determine the 2004 deferred maintenance information. This new methodology was devised to provide a reasonable, consistent, and auditable process based on the most current information available.

The methodology groups capital assets into major asset classes and utilizes recent baseline comprehensive condition assessment surveys performed by expert inspection teams composed of government and contractor personnel. The methodology consists of using field collected data to: 1) develop conceptual cost estimates based on square footage or other unit of construction for corrective actions noted in the comprehensive condition assessments, and 2) extrapolate estimates for assets that have not yet had baseline condition assessments. The combination of field collected data and extrapolation provides the methodology for measuring the total deferred maintenance for each major asset class.

For example, administrative sites and recreation sites are two of the major asset classes. Baseline comprehensive condition assessment surveys have been completed for 60 percent of

administrative sites and 60 percent of recreation sites, including on-site buildings and structures. Estimates for the remaining 40 percent of administrative sites and 40 percent of recreation sites have been derived from the field collected data and are expected to provide a 95 percent confidence level.

The BLM also determines an asset's current replacement value as part of the comprehensive condition assessments of administrative sites and recreation sites. Knowing the replacement value allows the BLM to use the industry standard Facilities Condition Index (FCI) as a method of measuring the condition and change of condition of facilities. FCI is the ratio of accumulated deferred maintenance to the current replacement value (FCI = Deferred Maintenance/Current Replacement Value). It is an indicator of the depleted value of capital assets. The general rule is that FCI should be below 0.10 for a facility to be considered in good condition. These comprehensive baseline condition assessments are the first of three phases to eventually establish a performance-based annual maintenance management program.

As of September 30, 2004, the total accumulated deferred maintenance was estimated to range from $543 million to $663 million. The first accompanying table shows deferred maintenance by asset category. The BLM has reconfigured the 2004 asset categories to correspond to the "roll up" format in the Department of the Interior Annual Report on Performance and Accountability.

A portion of the maintenance backlog has been developed into specific projects and included in the BLM's Five-Year Deferred Maintenance and Capital Improvement Plan. The total deferred maintenance component in the FY 2005–2009 Plan is $207 million, as shown in the second accompanying table by future funding year and subactivity (funding source). The $207 million includes project-specific work, along with project and contract management, condition assessments, information technology, and other work directly related to deferred maintenance.

Estimated Range of Deferred Maintenance by Asset Category (dollars in thousands)						
Asset Category	Estimated Range of Deferred Maintenance for 2004					
	General PP&E		Stewardship PP&E		Total	
	Low	High	Low	High	Low	High
Roads, Bridges and Trails	$ –	$ –	$306,000	$373,000	$306,000	$373,000
Dams and Major Culverts	–	–	31,000	38,000	31,000	38,000
Buildings at Administrative and Recreation Sites	79,000	108,000	–	–	79,000	$108,000
Other Structures at Administrative and Recreation Sites	127,000	144,000	–	–	127,000	144,000
Total	$206,000	$252,000	$337,000	$411,000	$543,000	$663,000

Deferred Maintenance by Future Funding Year and Subactivity (Funding Source) (dollars in thousands)						
Funding Source	Planned Deferred Maintenance Work *					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
MLR Deferred Maintenance **	$ 9,800	$ 9,400	$ 9,200	$10,800	$11,000	$ 50,200
Infrastructure Improvements	26,800	26,200	26,000	27,000	25,800	131,800
O&C Deferred Maintenance ***	1,100	1,100	1,100	1,100	1,100	5,500
Construction	600	1,000	600	500	1,100	3,800
Wildland Fire ****	1,700	4,200	6,300	1,800	2,100	16,100
Total	$40,000	$41,900	$43,200	$41,200	$41,100	$207,400

* This table shows the deferred maintenance that has been developed into specific projects and included in the BLM's Five-Year Deferred Maintenance and Capital Improvement Plan. The $207 million total for FY 2005–2009 includes other costs for project and contract management, condition assessments, information technology, and other work directly related to managing and reducing the maintenance backlog. The table does not include the capital improvement work associated with the projects.

** Management of Lands and Resources (MLR) is the major appropriation category in the BLM's annual budget.

*** Oregon and California Grant Lands (O&C) is a minor appropriation category that covers certain counties in western Oregon.

**** BLM projects only. The BLM's Five-Year Plan includes Wildland Fire projects for the Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service because Wildland Fire funding for these bureaus comes through the BLM's appropriations.

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

January 12, 2005

Memorandum

To: Director, Bureau of Land Management

From: Roger La Rouche
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Bureau of Land Management's Financial Statements for Fiscal Years 2004 and 2003 (Report No. C-IN-BLM-0062-2004)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the Bureau of Land Management's (BLM) financial statements for fiscal years 2004 and 2003. The contract required that KPMG conduct its audit in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget Bulletin 01-02, as amended, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency's *Financial Audit Manual.*

In its audit of BLM, KPMG found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. As discussed in KPMG's report and Note 17 to the financial statements, BLM's fiscal year 2004 consolidated statement of net cost is not comparable to its fiscal year 2003 consolidated statement of net cost. This occurred because, in fiscal year 2004, BLM revised the presentation of costs and revenues to match the *Government Performance and Results Act* strategic plan applicable to fiscal year 2004, which is different from the plan applicable to fiscal year 2003.

In its report, KPMG also stated, based upon the limited procedures performed, that the required supplementary information on deferred maintenance and required supplementary stewardship information on the condition of stewardship land and the number of museum items held in non-Federal facilities is not reported in conformity with accounting principles generally accepted in the United States of America.

In addition, KPMG identified seven reportable conditions related to internal controls and financial operations, the first of which KPMG considers to be a material weakness. KPMG found deficiencies in the following:

- Accounting for mineral leases,
- Security and internal controls over information technology systems,
- Internal controls over charge cards,
- Internal controls over payments in lieu of taxes,

- Internal controls over reporting the condition of stewardship land,
- Internal controls over reporting the number of museum items held in non-Federal facilities, and
- Internal controls over reporting of deferred maintenance amounts for stewardship lands.

KPMG also found that BLM's financial management systems did not comply with the *Federal Financial Management Improvement Act of 1996* (FFMIA) because of substantial noncompliance with Federal financial management systems requirements and Federal accounting standards related to the condition of stewardship land, the amount of deferred maintenance for stewardship land, and the number of museum items held in non-Federal facilities. Excluding FFMIA, there were no reportable findings of noncompliance with laws and regulations tested during the audit.

KPMG is responsible for the attached draft audit report and for the conclusions expressed therein. We do not express an opinion on BLM's financial statements, conclusions on the effectiveness of internal controls, conclusions on whether BLM's financial management systems substantially complied with FFMIA, or conclusions on compliance with laws and regulations.

In the November 26, 2004 response (Attachment 2), BLM generally concurred with the report's findings and recommendations and indicated corrective actions would be taken, with the exception of the following recommendations:

- E - Management did not agree with KPMG's recommendation to develop a policy to address stewardship land condition assessments to comply with applicable accounting standards. Management indicated that it did not have sufficient budgetary resources to perform condition assessments on all its stewardship land.
- F.1 & F.2 - Management did not agree with KPMG's recommendations related to reporting and identifying museum items. Management indicated it would seek a written ruling from the Federal Accounting Standards Advisory Board as to whether museum items housed in nonfederal facilities are to be reported for financial reporting purposes.
- G - Management did not agree with KPMG's recommendations related to deferred maintenance on stewardship land. Management indicated the cost of making estimates for stewardship land deferred maintenance expenses would be excessive and unreasonable in light of current budget constraints.
- I - Management did not agree with KPMG's recommendation related to noncompliance with Federal accounting standards related to the condition of stewardship land, the amount of deferred maintenance for stewardship land, and the number of museum items held in non-Federal facilities. Management reiterated their responses to findings E, F, and G. Management did agree with the portion of the recommendation related to mineral lease activity.

In its comments on these matters, KPMG reiterated their belief that BLM is required to either obtain new guidance or develop procedures to comply with applicable accounting standards.

Based on BLM's response, we consider all of the recommendations, except for E, F.1, F.2, G, and I resolved but not implemented. These recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Recommendations E, F.1, F.2, G, and I will be referred for resolution.

The legislation, as amended, creating the Office of Inspector General (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report. The distribution of the report is not restricted and copies are available for public inspection.

We appreciate the cooperation and assistance of BLM personnel during the audit. If you have any questions, please contact me at (202) 208-5512.

Attachments (2)

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

Director of the Bureau of Land Management and
Inspector General of the
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management (BLM) as of September 30, 2004 and 2003, and the related consolidated statements of net cost of operations, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and the statements of custodial activity for the years then ended (hereinafter referred to as the financial statements). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered BLM's internal control over financial reporting and tested BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on its financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that BLM's financial statements as of and for the years ended September 30, 2004 and 2003 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 17 to the financial statements, BLM's fiscal year 2004 statement of net cost of operations is not comparable to the fiscal year 2003 statement of net cost of operations because of a change in the Government Performance and Results Act strategic plan.

Our consideration of internal control over financial reporting identified the following reportable conditions.

Reportable Condition That is Considered to be a Material Weakness

A. Accounting for Mineral Leases

Other Reportable Conditions

B. Security and Internal Control Over Information Technology Systems

C. Internal Control Over Charge Cards

D. Internal Control Over Payments in Lieu of Taxes

Our limited procedures over required supplementary stewardship information and deferred maintenance reported as required supplementary information identified the following significant deficiencies.

E. Reporting the Condition of Stewardship Land

F. Reporting the Number of Museum Items Held in Non-Federal Facilities

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

G. Reporting of Deferred Maintenance Amounts for Stewardship Land

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMIA disclosed the following instances where BLM did not substantially comply with the provisions of FFMIA.

H. Federal Financial Management Systems Requirements

I. Federal Accounting Standards

The following sections discuss our opinion on the financial statements, our consideration of BLM's internal control over financial reporting, our tests of BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management as of September 30, 2004 and 2003, and the related consolidated statements of net cost of operations, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and the statements of custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BLM as of September 30, 2004 and 2003, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 17 to the financial statements, BLM's fiscal year 2004 statement of net cost of operations is not comparable to the fiscal year 2003 statement of net cost of operations because, in fiscal year 2004, BLM revised the presentation of costs and revenues to match the Government Performance and Results Act strategic plan applicable to fiscal year 2004, which is different than the plan applicable to fiscal year 2003.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information (Stewardship Assets), and Required Supplementary Information (Supplementary Statements of Budgetary Resources by Major Budget Accounts on pages 78 through 81 and Deferred Maintenance) sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We did not audit this information, and accordingly, we express no opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. As a result of such limited procedures, we believe that the following is not in conformity with accounting principles generally accepted in the United States of America: (1) the reporting of required supplementary stewardship information on the condition of stewardship land and the number of museum items held in non-federal facilities, and (2) the reporting of required supplementary information on the amount of deferred maintenance for stewardship land. Our limited procedures found BLM does not have adequate policies and procedures to report this information consistent with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect BLM's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that reportable condition A is a material weakness.

(A) Accounting for Mineral Leases

BLM processes collections from mineral leasing activity on its public lands, which includes leases for oil, gas, and coal. BLM collects the first year rent and bonus bid deposits related to this activity. These amounts are initially recorded as a deposit liability awaiting adjudication. The adjudication process encompasses BLM's acceptance or dismissal of a lease, and is the determining factor in recognizing custodial revenue in BLM's statement of custodial activity. If adjudication results in a lease, the collections are transferred to the Minerals Management Service (MMS). If a lease is not accepted, the collections are refunded.

Just prior to the release of the financial statements, it was discovered that approximately $73 million of the deposit liability should have been recorded as a payable to MMS and included as custodial revenue in BLM's fiscal year 2004 statement of custodial activity. These amounts related to leases that had been adjudicated and executed prior to year-end, but the collections were not transferred to MMS until after year-end.

Our audit found BLM did not have adequate procedures at the end of fiscal year 2004 to identify leases that had been adjudicated and accepted but not transferred to MMS. This resulted in errors to the draft financial statements of BLM, MMS, Bureau of Reclamation (BOR), and the Department of the Interior (DOI).

Recommendation

BLM should develop procedures to identify and accrue lease deposits at year-end that have been adjudicated and accepted but not transferred to MMS. Procedures should include communication protocols to notify MMS and BOR of lease activity that impacts their respective financial statements.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(B) Security and Internal Control Over Information Technology Systems

Security and general controls over BLM's financial management systems have not been fully implemented. This is a repeat finding from the prior year, and even though BLM has made progress in implementing security controls over its information systems, improvement is needed in the areas described below, as required by OMB Circular A-130, *Management of Federal Information*

Resources. The conditions identified below could affect BLM's ability to prevent or detect unauthorized changes to subsidiary financial information, control electronic access to sensitive information, and protect its information resources.

Access Controls

Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. The objectives of limiting access are to ensure that: (1) only authorized users have access to data and resources; (2) users have the minimum access necessary to perform their job functions; (3) access to very sensitive resources, such as security software programs, is limited to very few individuals; and (4) network security configurations are optimized to provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. Certain procedural and technical access controls over BLM's financial applications have not been implemented or are not operating effectively to minimize the risks of unauthorized access to its systems and its data. Specifically, our audit found that BLM's employee termination and transfer procedures are not sufficient to effectively remove terminated user accounts from BLM financial systems timely. Further, we noted Web servers for certain financial systems that were vulnerable to unauthorized internal access.

Software Development and Change Controls

Establishing controls over the modification of application software programs helps ensure that only authorized programs and modifications are implemented. Without proper change management controls, there is an increased risk that either intentional or unintentional changes are made to the system's processing functionality, the wrong version of a program could be implemented, a virus could be inserted, or security features could be excluded or disabled. BLM has formalized procedures for system software maintenance and change management. However, our audit found that the change management procedures are not practiced consistently among information system support groups/functions. Further, documentation is not consistently maintained for required aspects of the change management process, especially for smaller information system projects.

Recommendation

BLM should continue the development and implementation of procedures to improve the internal security and general controls over its financial management systems. Improved procedures should address each of the areas discussed above, as well as other areas that might impact the electronic data processing control environment, to ensure adequate security and protection of BLM's financial management systems.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(C) Internal Control Over Charge Cards

BLM, through DOI, has provided charge cards to its employees in order to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of supplies and services. During fiscal year 2004, BLM had approximately 19,000 active charge cards, which included purchase, travel, fleet, uniform, and corporate cards. As of the end of fiscal year 2004, these cards were used in transactions totaling approximately $100 million.

In conjunction with the issuance of the charge cards, DOI has published guidance and instructions on the card's utilization through its *Integrated Charge Card Program Guide*. This policy sets forth restrictions on the use of the cards as well as certain internal control procedures such as timely and complete reconciliation of the billing statements by the cardholders and approving officials. The cardholder and approving official reviews are essential internal controls.

As part of our audit we reviewed a sample of 100 cardholder statements for the timely completion of monthly charge card reconciliations, which included cardholder and approving official review and receipts supporting the charge. Our test work revealed control exceptions with 38 of 100 statements. These exceptions were as follows:

- 21 of 100 statements were either not dated by the cardholder, or not signed in a timely manner (within one month of statement date).
- 25 of 100 statements were either not signed or dated by the approving official, or were not signed in a timely manner (within five days of the cardholder's dated review).
- 10 of 100 statements did not include receipts to support the charges.

This issue is a repeat finding from the prior year. The reasons for employee noncompliance with established charge card policies appears to stem from a variety of factors, including the need for more diligent management oversight to ensure controls are being followed and lack of appropriate consequences to the cardholder for persistent misuse.

By not ensuring that controls are operating effectively, BLM increases its risk that charge cards may be used for purposes other than official government-related business, and that these potential misuses will go uncorrected. Due to the significant volume of transactions, adequate internal control over charge card transactions is important in preventing misuse. DOI's established charge card policies help provide effective internal control when placed into operation.

Recommendation

BLM should ensure compliance with its established charge card policies. To help ensure compliance, BLM management, at the field and state office levels, should be more diligent in monitoring and enforcing compliance with DOI's charge card policies.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(D) Internal Control Over Payments in Lieu of Taxes

During fiscal year 2004, DOI's Departmental Offices had a reimbursable agreement with BLM related to the Payments in Lieu of Taxes (PILT) program. Under this arrangement, BLM calculated and disbursed the PILT payments on behalf of Departmental Offices, and in return, Departmental Offices reimbursed BLM for the cost of the PILT payments. The PILT payments approximated $200 million.

Our audit found BLM did not have authorization or management review controls over the calculation and disbursement of PILT amounts. One individual performed the calculations. Then the same individual downloaded the PILT payment file to the accounting system through a direct feed and the payments were automatically processed. Further, the payments were not subject to BLM's internal audit of payments exceeding $2,500. A lack of adequate internal control over disbursements increases the risk of errors and the opportunity for misappropriation of assets.

Recommendation

BLM should review all of its significant payment processes to verify proper authorization and management review controls are in place.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

Internal Control Over Required Supplementary Stewardship Information

We noted certain significant deficiencies in internal control over required supplementary stewardship information discussed in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize required supplementary stewardship information.

(E) Reporting the Condition of Stewardship Land

Accounting standards for federal entities establish minimum reporting requirements for stewardship land. These standards require BLM to report, as required supplementary information in its stewardship section of its annual report, the condition of stewardship land. Our audit found BLM has not performed condition assessments on approximately 125 million acres (48%) of its 262 million acres of stewardship land. Further, many of the assessments that have been completed are outdated given some occurred 20 years ago. For example, the majority of BLM's stewardship land is classified as rangelands, and currently only approximately 1 million acres of 160 million acres of rangelands are being assessed on an annual basis.

Recommendation

BLM, in coordination with DOI, should discuss with the Federal Accounting Standards Advisory Board (Board) the burden that the accounting standards place on BLM for conducting timely condition assessments on stewardship land. Until the Board provides new guidance, BLM should develop a workable policy to address stewardship land condition assessments to comply with applicable accounting standards.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our recommendation to discuss with the Board the burden that the accounting standards place on BLM for conducting condition assessments on stewardship land. Management did not agree with our recommendation to develop a policy to address stewardship land condition assessments to comply with applicable accounting standards. Management indicated it does not have sufficient budgetary resources to perform condition assessments on all of its stewardship land, and the performance of such assessments, beyond meeting the requirements of applicable accounting standards, provides little or no utility.

Auditors' Response to Management's Response

Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Reporting*, paragraph 81, requires federal agencies to report in its stewardship section of its annual report the condition of stewardship land. Unless the Federal Accounting Standards Advisory Board provides new guidance eliminating this requirement, or the BLM develops procedures to comply with applicable accounting standards, this inconsistency will continue to be reported as noncompliance with the accounting standards and as a weakness in internal control.

(F) **Reporting the Number of Museum Items Held in Non-Federal Facilities**

Over the past 200 years, BLM estimates millions of museum items have been collected from public lands now managed by BLM. BLM believes almost all of these items have been transported to numerous non-federal facilities such as universities, museums, and historical societies. However, while BLM estimates millions of items have been collected, BLM cannot identify the specific items that have been collected, nor where such items are housed.

Accounting standards for federal entities establish minimum reporting requirements for museum collections taken off the public lands. These standards require BLM to report, as required supplementary information in its stewardship section of its annual report, the number of museum collections in terms of physical units (for example, number of items in collections). In an attempt to meet the requirements of the standards, BLM defines a "physical unit" as either a BLM facility or a non-federal facility.

Our audit found BLM is not meeting the intent of the accounting standards in its reporting of museum collections. Specifically, a facility housing museum items is not a "physical unit" for reporting museum collections under federal accounting standards.

The reason that amounts of museum items are unknown primarily relates to the immense volume of items taken off of the public lands, the time period it has occurred over, limited cooperation and practices of the non-federal facilities, and the lack of a BLM centralized tracking process. BLM, throughout its history, has not had a formal bureau-wide tracking process to identify individual items taken from BLM lands and housed in non-federal facilities.

The lack of detailed information on museum items has resulted in numerous employee hours discussing the issue and contemplating ways to address the reporting requirements, while realizing it is virtually impossible to identify the millions of individual museum items taken from public lands over the last 200 years. Further, the lack of detailed information and miscommunications has resulted in reporting differences between BLM and DOI. For example, in past years DOI reported in its performance and accountability report that BLM has approximately 23.8 million museum items. DOI claims to have obtained the amounts from BLM; conversely, BLM has documented to DOI that it cannot support the 23.8 million museum items.

Recommendations

While it may be extremely difficult to identify all museum items taken from federal lands in prior periods and now housed in non-federal facilities, BLM should develop a workable plan to address the reporting and tracking of such items to comply with applicable accounting standards. Specifically, BLM should:

1. Work with DOI and the Federal Accounting Standards Advisory Board to develop a workable plan, on a go-forward basis, for reporting in the annual report museum items permanently housed in non-federal facilities.

2. Develop a formal bureau-wide standardized tracking process, prospectively, to identify individual items taken from BLM lands. Such process should include the creation of a central database to account for BLM museum items housed in both federal and non-federal facilities.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendations. Management indicated it would seek a written ruling from the Federal Accounting Standards Advisory Board as to whether museum items housed in non-federal facilities are to be reported for financial reporting purposes.

Auditors' Response to Management's Response

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 50, requires federal agencies to report in its stewardship section of its annual report the number of physical units of museum collections. Unless the Federal Accounting Standards Advisory Board provides guidance eliminating this requirement for items housed in non-federal facilities, or the BLM develops procedures to comply with applicable accounting standards, this inconsistency will continue to be reported as noncompliance with the accounting standards and as a weakness in internal control.

Internal Control Over Required Supplementary Information

We noted certain significant deficiencies in internal control over the reporting of deferred maintenance amounts discussed in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize in a timely manner deferred maintenance amounts reported as required supplementary information to the financial statements.

(G) **Reporting of Deferred Maintenance Amounts for Stewardship Land**

Accounting standards for federal entities establish minimum reporting requirements for stewardship land. These standards require BLM to report, as required supplementary information in its deferred maintenance section of its annual report, the amount of deferred maintenance for stewardship land. Federal accounting guidance defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, was put off or delayed for a future period. Maintenance is the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services.

Our audit found BLM has not reported in its annual report any deferred maintenance costs related to stewardship land. Approximately 27 million acres (20%), of the 137 million acres of BLM stewardship land that has been assessed for condition (see item E, Reporting the Condition of Stewardship Land, above for further discussion), are rated as needing intervention. This implies some form of maintenance is required to restore the land to its intended condition.

Recommendation

BLM should develop a process consistent with accounting principles generally accepted in the United States of America for estimating deferred maintenance costs on stewardship land that is rated as needing intervention.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation. Management indicated the cost of making estimates for stewardship land deferred maintenance expenses would be excessive and unreasonable in light of current budget constraints.

Auditors' Response to Management's Response

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, paragraph 83, requires federal agencies to report in its deferred maintenance section of its annual report the amount of deferred maintenance for stewardship land. Unless the Federal Accounting Standards Advisory Board provides new guidance eliminating this requirement, or the BLM develops procedures to comply with applicable accounting standards, this inconsistency will continue to be reported as noncompliance with the accounting standards and as a weakness in internal control.

A summary of the status of prior year reportable conditions and significant deficiencies is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of BLM in a separate letter dated November 10, 2004.

Compliance and Other Matters

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described below, where BLM's financial management systems did not substantially comply with federal financial management systems requirements and the federal accounting standards. The results of our tests of FFMIA disclosed no instances in which BLM's financial management systems did not substantially comply with the United States Standard General Ledger at the transaction level.

(H) Federal Financial Management Systems Requirements

As discussed in the section of our report entitled Internal Control Over Financial Reporting, BLM needs to improve security and internal control over information technology systems. BLM has not implemented certain procedural and technical access controls over financial applications to minimize the risks of unauthorized access to its systems and its data; and has not consistently implemented procedures for controlling changes to its financial applications. As a result, BLM does not substantially comply with the security and general electronic data processing (EDP) control requirements of OMB Circular A-130, *Management of Federal Information Resources*.

Recommendation

We recommend BLM improve its security and internal control over information technology systems to a level in which BLM substantially complies with the security and general EDP control requirements of OMB Circular A-130, *Management of Federal Information Resources*.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(I) Federal Accounting Standards

As discussed in the sections of our report entitled Internal Control Over Financial Reporting, Internal Control Over Required Supplementary Stewardship Information, and Internal Control Over Required Supplementary Information, BLM needs to improve its policies and procedures for accounting for mineral leases and for reporting the condition of stewardship land, the number of museum items held in non-federal facilities, and deferred maintenance amounts for stewardship land.

Federal Accounting Standards Advisory Board, Statement No. 7, *Implementation Guide to Accounting for Revenue and Other Financing Sources*, chapter 2 on the statement of custodial activity, requires that custodial revenue accounted for on the cash basis be adjusted to the accrual basis for financial reporting purposes. Our audit found BLM did not have adequate procedures at the end of fiscal year 2004 to accrue for lease amounts in its statement of custodial activity that had been adjudicated and accepted but not transferred to MMS.

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 81, establishes minimum reporting requirements for stewardship land. These requirements require BLM to report in its stewardship section of its annual report the condition of stewardship land. Our audit found BLM has not performed condition assessments on approximately 125 million acres (48%) of its 262 million acres of stewardship land.

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 50, establishes minimum reporting requirements for museum collections. These requirements require BLM to report in its stewardship section of its annual report the number of physical units of museum collections. Our audit found BLM cannot identify the number of museum items taken from the public lands and housed in non-federal facilities.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, paragraph 83, establishes minimum reporting requirements for deferred maintenance. These requirements require BLM to report in its deferred maintenance section of its annual report deferred maintenance for each major class of asset, which includes stewardship land. BLM has not reported in its annual report any deferred maintenance costs related to stewardship land, even though BLM reports approximately 27 million acres as needing intervention.

Recommendation

We recommend BLM strengthen its policies and procedures to ensure that mineral lease activity, the condition of stewardship land and the number of museum items held in non-federal facilities, reported as required supplementary stewardship information to the financial statements, and the amount of deferred maintenance for stewardship land, reported as required supplementary information to the financial statements, are prepared in accordance with federal accounting standards.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our recommendation to identify and accrue applicable mineral lease activity. As discussed in the sections of our report entitled Internal Control Over Required Supplementary Stewardship Information and Internal Control Over Required Supplementary Information, management did not agree with our recommendations to develop procedures to conduct condition assessments on all stewardship land, identify and report the number of museum items held in non-federal facilities, and identify and report the amount of deferred maintenance for stewardship land.

Auditors' Response to Management's Response

As discussed in the sections of our report entitled Internal Control Over Required Supplementary Stewardship Information and Internal Control Over Required Supplementary Information, federal accounting standards require federal agencies to report in its annual report the condition of stewardship land, the number of physical units of museum collections, and the amount of deferred maintenance for stewardship land. Unless the Federal Accounting Standards Advisory Board provides new guidance eliminating these requirements, or the BLM develops procedures to comply with applicable accounting standards, these inconsistencies will continue to be reported as noncompliance with the accounting standards and as weaknesses in internal control.

Responsibilities

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA) requires each Chief Financial Officer (CFO) Act agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist DOI in meeting the GMRA reporting requirements, BLM prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information; and
- Complying with laws, regulations, contracts, and grant agreements, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2004 and 2003 financial statements of BLM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2004 audit, we considered BLM's internal control over financial reporting by obtaining an understanding of BLM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. Also projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, our internal control testing may not be sufficient for other purposes. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered BLM's internal control over Required Supplementary Stewardship Information by obtaining an understanding of BLM's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over Required Supplementary Stewardship Information, and accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures, and accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether BLM's fiscal year 2004 financial statements are free of material misstatement, we performed tests of BLM's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BLM. Accordingly, noncompliance may occur and not be detected by these tests and such testing may not be sufficient for other purposes. Providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit, and accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether BLM's financial management systems substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

Distribution

This report is intended for the information and use of BLM's and DOI's management, DOI's Office of Inspector General, the U.S. Government Accountability Office, OMB, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2004

Exhibit I

BLM

Summary of the Status of Prior Year
Reportable Conditions and Significant Deficiencies

September 30, 2004

Ref	Condition	Status
A	Security and Internal Control Over Information Technology Systems	Condition has not been corrected and is repeated in fiscal year 2004. See fiscal year 2004 reportable condition B.
B	Accounting for Intra-Departmental Transactions	This condition has been corrected.
C	Internal Control Over Charge Cards	Condition has not been corrected and is repeated in fiscal year 2004. See fiscal year 2004 reportable condition C.
D	Timely De-Obligation of Undelivered Orders	This condition has been corrected.
E	Accounting for Property	This condition has been downgraded from a reportable condition in the prior year to a management letter comment in fiscal year 2004. Management letter comments are reported in a separate letter to management dated November 10, 2004.
F	Reporting of Environmental Liabilities	This condition has been downgraded from a reportable condition in the prior year to a management letter comment in fiscal year 2004. Management letter comments are reported in a separate letter to management dated November 10, 2004.
G	Reporting of Deferred Maintenance Amounts for Property, Other Than Stewardship Land	This condition, excluding reporting of deferred maintenance amounts for stewardship land, has been downgraded from a reportable condition in the prior year to a management letter comment in fiscal year 2004. Management letter comments are reported in a separate letter to management dated November 10, 2004. See fiscal year 2004 significant deficiency G for discussion of deferred maintenance amounts for stewardship land.

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Washington, D.C. 20240
http://www.blm.gov

NOV 26 2004

In Reply Refer to:
1306 (BC-610)

MEMORANDUM

To: Assistant Inspector General for Audits
Attention: Roger La Rouche

Through: Rebecca W. Watson
Assistant Secretary, Land and Minerals Management

From: Kathleen Clarke
Director, Bureau of Land Management

Subject: Draft Independent Auditors' Report on the Bureau of Land Management's (BLM) Financial Statements for Fiscal Years 2004 and 2003
(Assignment No. C-IN-BLM-0062-2004)

Thank you for the opportunity to review and comment on the above-referenced draft report. We appreciate the efforts that the Office of Inspector General and KPMG have provided on our behalf. The BLM's written comments and responses are detailed in the attachment.

If you have any questions regarding this response, please contact Jeannette Davis-Callahan, BLM National Business Center, at (303) 236-7396.

1 Attachment
1 – Response to Auditor's Report above (4 pp)

Draft Independent Auditors' Report on the Bureau of Land Management's
Financial Statements for Fiscal Years 2004 and 2003
(Assignment No. C-IN-BLM-0062-2004)

Recommendation A: Accounting for Mineral Leases
BLM should develop procedures to identify and accrue lease deposits at year-end that have been adjudicated and accepted but not transferred to MMS. Procedures should include communication protocols to notify MMS and BOR of lease activity that impacts their respective financial statements.

Response:
The BLM concurs with the recommendation. Procedures will be developed during FY 2005 to identify and accrue applicable lease deposits. These procedures will include communications with MMS and BOR to provide essential financial statement information.

Recommendation B: Security and Internal Control over Information Technology Systems
BLM should continue the development and implementation of procedures to improve the internal security and general controls over its financial management systems. Improved procedures should address each of the areas discussed above, as well as other areas that might impact the electronic data processing control environment, to ensure adequate security and protection of BLM's financial management systems.

Response:
The BLM concurs with the recommendation. The following procedures have been, or will be done to address the specific items noted.

Access Controls
The BLM will determine why the current process of limiting access controls is insufficient, and will make recommendations within the next fiscal year to assure terminated and transfer personnel have their access to the appropriate systems removed timely. Also web servers have already been modified and are not vulnerable to unauthorized internal access.

Software Development and Change Controls
The BLM agrees the configuration management is a high priority and plans to review its configuration management process and procedures and plans to heighten the awareness of its importance. The BLM will continue to educate and train all personnel on configuration management so that it is consistently applied and to mitigate documentation deficiencies.

Recommendation C: Internal Control over Charge Cards
BLM should ensure compliance with its established charge card policies. To help ensure compliance, BLM management, at the field and state office levels, should be more diligent in monitoring and enforcing compliance with DOI's charge card policies.

Response:
The BLM concurs with the recommendation. In addition to the formal written policy and guidance that exists, all cardholders, approving officials and program coordinators have received comprehensive web-based training. In FY 2005, the BLM will identify and recommend ways for State and Field Offices to properly conduct bank statement reviews. Implementation of these recommendations may take the form of new policy or simply the enforcement of current policy.

Recommendation D: Internal Control over Payments in Lieu of Taxes
BLM should review all of its significant payment processes to verify proper authorization and management review controls are in place.

Response:
The BLM concurs with the recommendation. The BLM believes that it has adequate control procedures over its payments and are subject to a review and/or audit process. The PILT program created a unique situation that bypassed this process. The BLM is unaware of any other payments that do not follow the review or audit process.

Recommendation E: Reporting the Condition of Stewardship Land
BLM, in coordination with DOI, should discuss with the Federal Accounting Standards Advisory Board (FASAB) the burden that the accounting standards place on BLM for conducting the timely condition assessments on stewardship land. Until the Board provides new guidance, BLM should develop a workable policy to address stewardship land condition assessments to comply with applicable accounting standards.

Response:
The BLM concurs with the recommendation that they coordinate with DOI to initiate discussions with the FASAB on the burden that the accounting standards place on BLM for conducting timely condition assessments on stewardship land.

The BLM does not concur with the recommendation to develop a policy to address stewardship land condition assessments to comply with applicable accounting standards.

The BLM currently manages almost 262 million acres of public lands, or approximately one-eighth of the total land area of the United States, a huge responsibility for a relatively small Federal bureau. It is highly unlikely that sufficient budgetary resources will become available in the future to accomplish the recommended task. Even if such budgetary resources were available, in many instances the performance of condition assessments would have little or no utility beyond an attempt to meet the requirements of SFFAS 6, 8, and 14. For example, millions of acres of forestlands exist in Alaska that cannot be economically harvested. These lands are subject to little or no human

intervention. The use of scarce budgetary resources to do condition assessments in areas such as these makes no rational sense and would constitute a failure to serve as an effective steward of these budgetary resources.

We believe a reasonableness test must be used with SFFAS 6, 8, and 14 when they are applied to an issue such as stewardship land condition. We believe the Department should take the lead in having this issue brought before FASAB to reexamine the practicality of some of its requirements.

Recommendation F: Reporting the Number of Museum Items Held in Non-federal Facilities

While it may be extremely difficult to identify all museum items taken from federal lands, in prior periods and now housed in non-federal facilities, BLM should develop a workable plan to address the reporting and tracking of such items to comply with applicable accounting standards. Specifically, BLM should:

1. Work with Interior and the Federal Accounting Standards Advisory Board to develop a workable plan, on a go-forward basis, for reporting in the annual report museum items permanently house in non-federal facilities.
2. Develop a formal bureau-wide standardized tracking process, prospectively, to identify individual items taken from BLM lands. Such processes should include the creation of a central database to account for BLM museum items housed in both federal and non-federal facilities.

Response:

The BLM does not concur with the recommendation.

Per KPMG's FY 2003 audit recommendation, the BLM is currently working with the Deputy Assistant Secretary, Budget and Finance, to obtain a written ruling from FASAB as to whether items housed in non-Federal facilities are to be reported for financial statement purposes. Depending on the outcome of the FASAB's ruling, this issue may be resolved.

Recommendation G: Reporting of Deferred Maintenance Amounts for Stewardship Land

BLM should develop a process consistent with accounting principles generally accepted in the United States of America for estimating deferred maintenance costs on stewardship land that is rated as needing intervention.

Response:

The BLM does not concur with the recommendation.

The cost of making estimates for deferred maintenance expenses would be excessive and unreasonable in light of the current budget constraints. Evaluating condition is both a complicated and a subjective task. The estimates themselves would be of dubious accuracy and usefulness.

We believe a reasonableness test must be used with SFFAS 6, 8, and 14 when they are applied to deferred maintenance information for stewardship land. We believe the Department should take the lead in having this issue brought before FASAB to reexamine the practicality of some of its requirements.

Recommendation H: Federal Financial Management Systems Requirements
We recommend BLM improve its security and internal control over information technology systems to a level in which BLM substantially complies with the security and general EDP control requirements of OMB Circular A-130, *Management of Federal Information Resources.*

Response:
As discussed in the response to recommendation B, BLM has already modified web servers and will continue to strengthen its security and internal controls over information technology systems.

Recommendation I: Federal Accounting Standards
We recommend BLM strengthen its policies and procedures to ensure that mineral lease activity, the condition of stewardship land and the number of museum items held in non-federal facilities, reported as required supplementary stewardship information to the financial statements, and the amount of deferred maintenance for stewardship land, reported as required supplementary information to the financial statements are prepared in accordance with federal accounting standards.

Response:
Mineral Leases
The BLM concurs with the recommendation and, as discussed in recommendation A, will develop procedures to identify and accrue applicable lease deposits.

Condition of Stewardship Land
As discussed in recommendation E, the BLM concurs with the recommendation to initiate discussions with the Federal Accounting Standards Advisory Board (FASAB) concerning the burden the accounting standards place on BLM for conducting timely condition assessments on stewardship land. The BLM does not concur with the recommendation to develop a policy to address stewardship land condition assessments due to lack of budgetary and staff resources.

Number of Museum Items Held in Non-federal Facilities
The BLM does not concur with the recommendation and, as discussed in recommendation F, will pursue obtaining a written ruling from the FASAB as to whether items housed in non-Federal facilities are to be reported for financial statements purposes.

Deferred Maintenance Amounts for Stewardship Land
The BLM does not concur with the recommendation. As discussed in recommendation G, BLM feels the cost of making estimates for deferred maintenance expenses would be excessive and unreasonable in light of the current budget restraints.

Comment Card

FORM APPROVED
OMB NO. 1040-0001

Expires: January 31, 2005

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Report Title: BLM FY 2004 Annual Report	<Needs Major <Improvement						Excellent>
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   _____

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   d. Stewardship Assets e. Deferred Maintenance f. Other, please explain _____

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